Austria	Sch24	Indonesia	Rp3300	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls.	Portugal	Esc120
Belgium	BFr55	Israel	Shk5.50	Qatar	QR8.00
Cyprus	C£0.80	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£2.25	Kuwait	Fils.500	Spain	Pta165
Finland	FM9.50	Lebanon	L£450.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.30
Germany	DM2.60	Malaysia	M$4.25	Thailand	Bht30
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din2.000
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft167	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.50		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday May 10 1990

D 8523A

TELECOMS
How cartel prices hit economic development
Page 4

World News

US and Iran agree deal on $105m of small claims

The US and Iran completed a settlement on $105m-worth of small claims filed following the revolution of 1979, although the major multi-billion dollar cases remained outstanding. The deal has to be formally ratified by the Iran-US Claims Tribunal.

Both sides stressed that the settlement had nothing to do with the recent release of two American hostages in the Lebanon. Page 22

Albanian reforms

Albania announced a package of radical reforms aimed at improving its human rights record and at bringing the country out of its self-imposed isolation. Page 22

Nato envoy resigns

Luxembourg announced that its ambassador to Nato, Guy De Muyser, has resigned. A government official said US intelligence suspected he had passed information to Moscow.

Aid to Lithuania

The first busload of humanitarian aid reached Lithuania from Poland, despite a border blockade imposed on the rebel Baltic republic by Soviet authorities.

Call to leave Pact

Hungary's largest opposition party called for the country to withdraw from the Warsaw Pact in a move which will exacerbate growing tensions within the governing coalition. Page 3

Kuwait arrests

Police in Kuwait arrested eight politicians for holding an illegal political meeting urging a boycott of the general elections due in June. Page 5

Red carpet welcome

South African President F. W. de Klerk arrived in Paris at the start of a nine-nation European tour and was greeted with a red carpet and military honours.

Seoul students riot

Thousands of students fought running battles with riot police in the centre of Seoul in the worst protests seen in the capital for more than a year. Page 6

Coalition door opens

Israel's Labour Party said it was ready to discuss reviving a national coalition with Mr Yitzhak Shamir's Likud Party. Page 8

Lebanese port ban

General Michel Aoun issued a communique forbidding "local and international maritime agencies" from serving any port in Lebanon's Christian enclave, intensifying the "war of the ports". Page 5

Turkey may lift bans

President Turgut Ozal said the bans on Communist and religious parties in Turkey could be lifted without fear. Page 2

Rocard survives

The French Communist Party, holding key votes in a censure motion over an amnesty for corrupt politicians, dropped a threat to topple Prime Minister Michel Rocard's Socialist government. Page 2

Unesco crisis claim

About 400 staff stopped work to protest outside a board meeting of Unesco at its Paris headquarters, saying the UN cultural and educational body had reached a constitutional crisis.

Kashmir battle

Seven civilians were killed and 16 injured in street battles in Srinigar, northern India, between security forces and Moslem militants. Page 5

Coastal cyclone

A cyclone, with winds of up to 250kph, hit the southern Indian coast, killing at least 11 people.

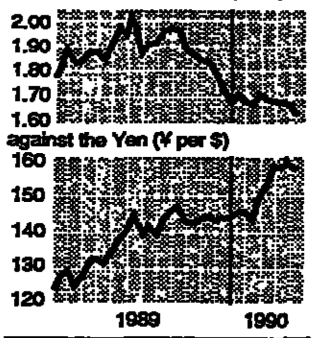
Business Summary

US chip group urges halt to high technology acquisitions

A moratorium on foreign acquisitions of US high technology companies should be imposed, a US industry group proposed in congressional testimony. The proposal comes amid growing US concern over Japanese takeovers in the US semiconductor equipment and materials industries. Page 22

US DOLLAR declined sharply after fading expectations of higher US interest rates. The dollar was at its lowest closing level against the D-Mark since January 1988, falling to DM1.6375 from DM1.6575 at the finish of trading in London. The dollar also weakened against the Japanese yen, falling to Y156.45 from Y157.85 at the London close after selling on Far East markets. Currencies, Page 44

Dollar



BANK OF England report shows failure of Isle of Man government to supervise its financial industry properly before the crash of Savings and Investment Bank. Page 22; Lex, Page 22

SMITHKLINE Beecham, Anglo-American pharmaceuticals company, said that despite a 7 per cent fall in its pre-tax profit for the first quarter of 1990, underlying prospects for the business were good. Page 30; Lex, Page 22

BRITISH & Commonwealth: banks and some other lenders to the troubled financial services group face write-downs totalling £175m ($292.m) if they accept a rescue plan being circulated among the group's main creditors. Page 12

UK CAR prices are to be investigated by the Monopolies and Mergers Commission. Page 22; Analysis, Page 14

ASEA BROWN Boveri, Swiss-Swedish electro-technical group, is proposing to adapt Swedish technology for a C$3bn ($2.5bn) high-speed train linking Toronto and Montreal in Canada. Page 4

BRITISH AEROSPACE and Aerospatiale of France are to carry out a five-year feasibility study on a supersonic airliner to replace Concorde. Page 3

RUSH & Tompkins, British commercial property developer and contractor, owed banks £300m when it collapsed at the end of last month. Page 23

LEGO, Danish toy kit manufacturing group, was the only European among the world's 10 largest toy manufacturers last year with a sales increase of 15 per cent. Page 26

CHEMICAL Bank Corporation, New York-based holding company, had its credit rating downgraded by Moody's Investor Service, the international rating agency. Page 27

VOLKSWAGEN chief executive, Mr Carl Hahn, warned the EC to be vigilant about how it allows access to Japanese cars. Page 2

NOMURA is to set up a European headquarters company in London in the first move of its kind by a Japanese securities house. Page 28

US is to press ahead with plans to move regulation of stock-index futures to the Securities and Exchange Commission (SEC) from the Commodity Futures Trading Commission (CFTC). Page 27

UK orders partial stoppage to work on Channel tunnel

By Diane Summers, Labour Staff, in London

AN ORDER to stop work on a large part of the UK side of the Channel tunnel project has been made by health and safety inspectors, following the death on Monday night of the sixth workman on the site in the past 16 months.

Political and trade union pressure is mounting for a full review of Channel tunnel safety. Critics point to the fact that there has been only one death on the French side since work began at the beginning of 1988.

Last night Mr Michael Howard, the Employment Secretary, said he would be meeting Mr Phillippe Essig, chairman of Transmanche Link to discuss safety issues.

The prohibition notice, which is the first that has ever been served on the project, goes considerably further than initial verbal requests from inspectors to stop work after the accident. Tunnelling cannot resume on two of the five tunnels now under construction until a schedule of safety improvements has been carried out by contractors.

Translink Joint Venture, made up of the five contractors designing and constructing the tunnel from the UK side, said last night that they expected to be able to satisfy safety inspectors "within the next day or so."

However, they added that work would not be restarted until any additional requirements of their own safety directors had been met.

Mr William Cartman, 33, a grouter, was crushed by machinery as he was apparently checking a joint between two segments of tunnel lining.

Work stopped immediately and safety inspectors based near the site spent a large part of Monday night investigating the cause of the accident. The prohibition notice was served on Tuesday.

The contractors were prosecuted in March for the third timeand were fined a total of £50,000 ($83,500) for failing to take reasonable steps to ensure safety on the project.

A court heard that the death of a fitter brought to light serious flaws in safety procedures.

The Health and Safety Executive, the independent body charged under the law with enforcing industrial safety standards, confirmed that the prohibition had been served under the Health and Safety at Work Act 1974. It was unable by law to give details of the improvements requested. The contractors said the notices applied to tunnel boring equipment in the two marine running tunnels.

Work was proceeding as normal on the three other tunnels.

The Transport and General Workers Union, to which Mr Cartman belonged, yesterday called for radical changes to procedures at the site. Mr George Henderson, TGWU building workers' leader, has written to the HSE saying that there needs to be a stop to "the carnage that is taking place in the production of the Channel tunnel."

He added that he would "not be satisfied with a response that there would just be a further investigation with a view to determining what action should be taken. I am calling for action to be taken now at the highest level about the unacceptable health and safety record on the Channel tunnel."

The union is also calling for company chairmen to be jailed where negligence by management can be proved and is attempting to co-ordinate TGWU-sponsored MPs to raise the issue of tunnel safety in Parliament.

Soviet paratroops marching in Red Square, Moscow, yesterday on the 45th anniversary of the Second World War's end. The banner reads: "Victory in the name of life on earth"

Fresh criticisms of Soviet military in Moscow press

By Quentin Peel in Moscow

THE Soviet military establishment came under further attack yesterday as it sought to bolster its wilting prestige and self-esteem with an immaculate parade through Red Square and celebrations of Victory Day over Nazi Germany throughout the country.

An article on the front page of Moskovskaya Pravda, the capital's Communist Party newspaper, quoted several young Russians who were sharply critical of the Red Army.

"We should talk less about a great victory and more about a great repentance," one of the young people said in a typical comment. "We waste money on terrifying parades, and the shops stand empty. Veterans trying to buy things out of turn infuriate people standing in queues."

Yesterday's criticisms followed President Mikhail Gorbachev's less than wholehearted praise of the Russian military at a gala event in the Bolshoi Theatre to mark the celebration on Tuesday night.

"We are far from being content with the modern state of the army, and of course it cannot be immune from criticism," he said. "We are going to consider seriously the questions of democratisation of life in the army and navy, and reconsider the role of the political departments in the services."

President Gorbachev was loyally backed by his Defence Minister, newly promoted Marshal Dmitri Yazov, who agreed that a military overhaul was essential – not least because the military threat to the Soviet Union still remained.

Yesterday's old-style show of force in Moscow, including at least three new items of military hardware on the streets, was seen as a big concession by Mr Gorbachev to answer growing discontent in the armed forces at their declining role in Soviet society.

In the event, the parade may well have neither satisfied the critics, nor reassured the faithful. A vocal minority see Victory Day as an anachronism. The old-timers fear rather that all the apparent gains of 1945 have evaporated in the past six months of east European upheavals.

Away from the applause in Red Square, the event was greeted with grumbles from the veterans of the Second World War, as well the sharp criticism from members of the younger generation.

"There is a lot of talk nowadays that the war was waged in vain," said Mr N.V. Popov, a veteran from Tambov who lost his arm at Berlin. "It is too

Continued on Page 22

1992 credited with sharp rise in European interbank business

By David Lascelles, Banking Editor, in London

THE EC's plan to create a single market by 1992 is having its first detectable impact on Europe's financial markets.

The Bank of England reported yesterday that business between European-based banks in the first nine months of last year was more than double that for the whole of the previous year.

This increase, which the Bank describes in its latest quarterly bulletin as "unexpected," was in the Bank's view "almost certainly stimulated by the plans for a single European market by the end of 1992."

In particular, the Bank says the surge can be traced to the further dismantling of exchange controls in France, Italy and Denmark last year, as well as to the growing presence of the big Japanese banks on continental European interbank markets.

The figures cited by the Bank showed interbank dealings of $81bn in the first nine months of 1989 compared with $39bn in all of 1988. This covers cross-border lending among banks, as reported to the Bank for International Settlements.

Although 1992 was expected to lead to a sharp increase in the movement of money around the EC, it was not clear how quickly or how soon it would happen.

The Bank's report also shows that banking business is becoming more evenly spread around Europe. While London remained the largest banking centre in Europe, its share of the total international lending market fell by two percentage points to 19.5 per cent in the first nine months of last year.

However, the Bank notes that London consolidated its position as the leading Ecu banking market, accounting for 31 per cent of all claims at the end of last September, with Paris second at 21 per cent.

This suggests that the UK's reluctance to join the European Monetary System is not affecting the UK's ability to act as a marketplace for the EC's money unit, contrary to charges made by some critics of Government policy.

The big gainers in the market for international bank lending were the Netherlands with growth of 23 per cent, France (14 per cent), Luxembourg (12 per cent), Germany (11 per cent) and Austria (10 per cent).

Equities, Page 12

Airlines in consortium seeking to buy majority DHL stake

By Robert Thomson in Tokyo and Lucy Kellaway in Brussels

A CONSORTIUM of Japan Airlines (JAL), Lufthansa and Nissho Iwai, the Japanese trading house, indicated yesterday that it was close to finalising a $500m deal to take a majority stake in DHL International, the Brussels-based courier company.

Officials at DHL Japan said that a contract was almost certain to be signed soon for the consortium to take a share of close to 60 per cent. The consortium is also understood to be negotiating a 20 per cent stake in DHL Corporation, the San Francisco-based company responsible for North American operations.

Lufthansa confirmed that it was in talks with DHL over buying a minority stake. It refused to say whether the combination of minority stakes taken by members of the consortium would combine to form a majority stake.

The link between DHL and the two airlines is a response by the courier company to closer ties generally between international courier firms and airlines.

The backing of three parents will strengthen DHL in an increasingly competitive market. DHL – which, along with federal Express, the US company, pioneered courier services in the late 1960s – is fighting to retain its dominant position in the light documents market.

It is also attempting to expand its share of the parcels markets which is dominated by Federal Express, United Parcel Services and TNT, the Australian group. In the last few years the European market has been the focus of competition, with all four acquiring national courier services.

The DHL talks come just before the planned deregulation of the lucrative Japanese parcel delivery market which is expected to become one of the main growth opportunites in the next few years.

DHL officials indicated that JAL, Lufthansa and Nissho Iwai are likely to take shares in the ratio of 2:2:1, and that their shareholding in the private company will be increased from a small initial holding to a majority stake over the next two years. A member of the consortium said that a signing date had been tentatively set for May 21.

The deal was apparently initiated after talks between JAL and DHL last autumn. DHL, which celebrated its 20th birthday last June, was established by three Californian businessmen in 1969. It claims to have been the first to make express air deliveries anywhere in the world. It now has offices in 183 countries, employing 20,000 people, and 100 aircraft. Its 1989 turnover was put at more than $1.6bn. The number of customers has grown from 30,000 in 1973 to about 550,000.

A DHL spokesman in Japan said that the deal is in the best interests of all the companies involved and that the links with the two airlines "will put us in a better position to compete with companies like Federal Express and United Parcel Service." Recently, JAL, Lufthansa, Air France and Cathay Pacific announced plans to establish an international cargo information network.

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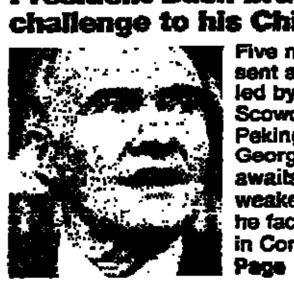
President Bush braces for new challenge to his China policy



Five months after he sent a secret mission led by General Brent Scowcroft (left) to Peking, US President George Bush still awaits a response. It weakens his hand as he faces a challenge in Congress.
Page 6

MARKETS

STERLING
New York:
$1.6783 (1.6705)
London:
$1.6785 (1.6695)
DM2.7475 (2.7675)
FFr9.26 (9.30)
SFr2.3575 (2.3925)
Y262.50 (263.50)
£ index 87.5 (87.6)

GOLD
New York: Comex Jun $373.70 (372.0)
London:
$370.75 (369.50)

N SEA OIL (Argus)
Brent 15-day Jun $17.125 (16.925)

Chief price changes yesterday: Page 25

DOLLAR
New York close
DM1.6355 (1.65745)
FFr5.5050 (5.5585)
SFr1.4015 (1.4317)
Y156.445 (157.55)
London:
DM1.6375 (1.6580)
FFr5.5175 (5.5725)
SFr1.405 (1.4330)
Y156.45 (157.85)
$ index 67.2 (67.7)
Tokyo close: 157.03

US closing rates
Fed Funds $8\frac{5}{8}$% ($8\frac{1}{4}$)
3-mo Treasury Bills:
yield: 7.89% (8.04)
Long Bond:
$96\frac{1}{4}$ ($96\frac{3}{8}$)
yield: 8.86% (8.82)

STOCK INDICES
FT-SE 100:
2,162.7 (−19.3)
FT Ordinary:
1,695.6 (−14.5)
FT-A All-Share:
1,068.97 (−0.7%)
FT-A World index:
140.50 (+0.6)
New York: close
DJ Ind. Av.
2,732.88 (−0.68)
S&P Comp
342.88 (+0.85)
Tokyo: Nikkei
30,948.61 (−24.97)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{8}$ ($15\frac{1}{8}$)%
Life long gilt future:
Jun $80\frac{1}{2}$ ($80\frac{1}{4}$)

EUROPEAN NEWS

German currency union talks hit snags

By David Goodhart and David Marsh in Bonn

NEGOTIATIONS between Bonn and East Berlin over the economic treaty upon which German currency union depends are running into difficulties.

Most officials still believe, however, that the treaty will be agreed and passed by both parliaments in time for the introduction of the D-Mark in early July.

Mr Rudolf Seiters, head of the Chancellor's Office in Bonn, said there were still problems over some of the welfare provisions of the treaty, which East Berlin says are inadequate, and over whether West Germans will have complete freedom to buy land and property.

Other difficult areas include the treatment of East German companies' debts and the degree of independence East Berlin will have in setting its budget prior to full unity.

Within the East German coalition, the Social Democrats have been pressing hard for more generous treatment for pensioners and are also worried that the labour laws envisaged for East Germany do not include the generous pay-offs or "social plans" that West German employers must agree to when they close plants.

The East German textile trade union has called for national warning strikes today against the terms of the economic treaty. Nontheless, Mr Matthias Gehler, the East German Government spokesman, said provisional agreement on an economic treaty was still expected early next week and should be endorsed by the Volkskammer (parliament) in early June. The treaty is also due to be passed by the West German cabinet on May 18 before passing through the Bundestag and Bundesrat (lower and upper houses of parliament) on June 21 and June 22 respectively.

On June 17, German Unity Day, both German parliaments are expected to meet in the Reichstag in West Berlin, the site of Germany's pre-war parliament.

● A serious dispute is brewing over how the costs of unity should be shared between the central government and the 11 Länder (states). Bonn has proposed that the states carry one third of the costs. According to Mr Johannes Rau, Prime Minister of North Rhine Westphalia, this would cost his state DM5bn (£1.8bn) this year alone. The leaders of the Länder will meet Mr Helmut Kohl, the Chancellor, on May 16 to discuss the dispute.

● The East German trade union federation, the FDGB, is to dissolve itself. A temporary committee made up of representatives from union executives will take over its functions. In the medium-term most East German unions are expected to merge with West German counterparts.

The junior coalition partners in the West German Government yesterday cautioned Chancellor Helmut Kohl against shunning Moscow's idea of forging German unity before working out all the military complexities, AP reports from Bonn.

The comments by Mr Otto Lambsdorff, chairman of the Free Democrat Party, appeared to underline an open split between Mr Kohl and his liberal coalition allies. Mr Lambsdorff said no hasty decision should be made. In a radio interview, he said in its "current form" Mr Shevardnadze's suggestion was not acceptable and that many details remained unclear. But the goal should be to "bring the external and internal aspects of unification under one roof – clarifying the question of full sovereignty for a united Germany and creating the conditions for that".

W Germans accused over export policy towards east

By Leslie Colitt in East Berlin

WEST GERMAN companies are mainly interested in selling to East Germany and not helping to make East German industry more viable, according to a leading East German manager.

Reflecting the bitterness of many East German managers, Mr Sven-Olaf Newiak, the recently-appointed General Director of the giant Kombinat (Group) Electronic Components, said most of his talks with German companies boiled down to selling their "surplus production" in East Germany.

"West German firms are no help to us as they do not want to contribute to the future survival of our industry," he said.

Mr Newiak maintained that Japanese and French companies, as well as a British electronics firm owned by the Japanese, with whom he was talks, were showing more readiness to produce in East Germany.

Speaking at company headquarters in Teltow, just outside West Berlin, Mr Newiak said the Japanese were interested in establishing a Common Market production base in East Germany and that he was prepared to enter into a deal with a Japanese company to produce in Teltow.

"I would not be so happy to have them here but in our serious condition the Japanese would be good for us," he suggested.

The situation of his Kombinat with sales of DM2.7bn ($1.6bn) last year, crippling debts and 26,000 employees was "extremely serious but not without a chance," he said. Twenty per cent of current output was competitive, Mr Newiak said, and 50 per cent could "theoretically" be made competitive if he could get investments and rationalise production. The remaining 30 per cent of output would have to be scrapped.

"If I could get only DM3m to invest I could sell 300m components on the world market," he said. A West German banker visiting the Kombinat said he was reluctant to provide a loan.

Mr Newiak admitted that under market conditions, which will prevail after the introduction of the D-Mark on July 2, his Kombinat had twice as many workers as needed. It was anyone's guess whether unemployment country-wide would rise to "only" 1m or 3m in the near future.

The 43-year-old manager left the Communist Party only last January but still retains a plaque on the wall of Marx, Engels and Lenin. He received his scientific doctorate in the Soviet Union and gained intimate knowledge of the Soviet electronics industry.

"Enormous potential" existed for East German industry in exploiting its contacts with Soviet buyers.

"They are interested in barter trade with us - swapping our products for energy, raw materials and machinery - and we could boost our sales tenfold to Comecon," he suggested. Compensation trade with Comecon might give the Kombinat desperately-needed time to change its product line and get costs under control.

The imminent conversion of his state-owned Kombinat into a joint stock company, however, is unlikely to change its prospects for survival. This will depend on finding Western partners who are interested in tapping the company's main resource, its highly-trained engineers and skilled workers.

Bulgarian opposition may fail to oust ruling socialists

By Judy Dempsey

BULGARIA'S broad-based opposition will return land to the peasants, introduce a market economy and guarantee rights for all its minorities if it is elected on June 10. But such promises may not be enough for it to win the first free election for over 45 years.

Its manifesto was published this week by the Union of Democratic Forces, which acts as an umbrella for nine independent political parties and is led by Mr Zhelyu Zhelev. It coincides with several recent opinion polls which indicate that the ruling Bulgarian Socialist (former communist) party may well win 50 per cent of the vote.

The UDF consists of parties ranging from Eco-Glasnost, one of the country's first opposition groups set up in 1988, whose leaders were either dismissed from their jobs or harassed by the Zhivkov leadership, to Podkrepa, the rapidly growing free trade union movement.

The UDF's commitment to returning to their original owners or their children all land confiscated by the communists in the late 1940s is seen as an attempt by the movement to broaden its base to the peasantry. Such proposals were rejected last week by the communist-dominated Government, which recommended small private farms should not be restored but the right of ownership be given to those who cultivate the land.

Despite a swelling of support for the UDF earlier this year among the younger generation and intellectuals, the revamped communist party has in recent weeks gained momentum. This is partly due to the personality of Mr Andrei Lukanov, the Prime Minister, who is regarded as one of the few competent officials capable of coping with Bulgaria's economic crisis. In March the authorities announced Bulgaria would temporarily suspend payment on the principle of its debt owed by the Foreign Trade Bank.

In addition, the BSP, as it is repeatedly reminded by the opposition, can rely on a vast media and organisational network with which to organise its campaign.

VW chief warns EC on Japanese

By Andrew Fisher in Wolfsburg

VOLKSWAGEN'S chief executive, Mr Carl Hahn, warned the European Community yesterday to be vigilant about how it allows access to Japanese cars.

"The bitter experiences that the US industry has had with Japan must be considered in the industrial policy of the EC, even if this means that some principles of current economic policy have to be examined," he told the company's annual news conference.

His statement was made in the context of the European debate about the impact of growing Japanese car sales, especially on hitherto protected markets, after the internal EC market comes into being in 1993.

In the US, the Japanese have built considerable car-making capacity, adding to the over-capacity which has depressed the market. Japanese companies are moving to an annual output of 2.5m vehicles there in the early 1990s.

Italy, France, Britain, Spain, and Portugal all restrict the entry of Japanese vehicles into their markets. The debate in the EC centres on how the transition from such bilateral curbs to a uniform European approach can be made.

Ozal could lift communist ban

By Jim Bodgener in Ankara

BANS ON Communist and religious parties in Turkey could be lifted without fear, President Turgut Ozal said yesterday.

In an interview with the FT before a cabinet meeting to discuss the question, Mr Ozal said that Turkey was well balanced by comparison with other Islamic countries, having no extremists or hardliners. Islamic parties would win only 3 or 4 per cent of the vote in a general election, he said.

Last week, an Ankara state security court surprisingly released two Communist leaders, arrested on their return to Turkey in 1987 ostensibly to contest the general election that year.

NEWS IN BRIEF

Communists drop key Paris censure motion

THE FRENCH Communist Party, holding key votes in an opposition censure motion over an amnesty for corrupt politicians, last night dropped a threat to topple Prime Minister Michel Rocard's Socialist government, write our Foreign Staff.

Communist parliamentary leader Andre Lajoinie said after an emergency meeting of the party central committee that they would not join the conservatives in a vote for a censure motion against the Government, which would have come close to forcing the Administration to resign.

The proposed censure condemned the Government for endorsing a political amnesty which has, in practice, exonerated politicians charged with using corrupt methods to raise party funds.

The doubt about Rocard's survival led to a drop in the French franc on currency exchange markets.

Luxembourg's Nato envoy quits

Luxembourg's envoy to Nato has quit after committing a minor breach of security, Mr Jacques Poos, Foreign Minister, said yesterday, AP reports from Luxembourg.

He said in parliament that Mr Guy de Muyser, 64, resigned on April 25 after the Government learned he "had breached security rules" at Nato. Mr de Muyser will remain envoy to Belgium, Mr Poos said. Luxembourg traditionally combines the two Brussels ambassadorships.

Sources said the security breach stemmed from several trips Mr De Muyser made to the Soviet Union where he gave out Nato documents whose contents had already been publicly reported.

On April 25, the Government, citing "preventive reasons", withdrew Mr De Muyser's security clearance denying him access to secret Nato papers and effectively forcing his resignation the same day.

US backs down on CFC funding

The US yesterday backed down from a commitment to make additional funds available to help Third World countries develop alternatives to CFCs (chlorofluorocarbons), according to Friends of the Earth, the environmental organisation, writes John Hunt.

Ms Fiona Weir, air pollution campaigner for FoE, said that this was made clear by Mr Richard Smith of the US State Department at a Geneva meeting of the signatory countries of the Montreal Protocol, the agreement to phase out CFCs which are the main source of damage to the ozone layer.

She said the US announcement came under attack from representatives of Japan, Australia, Scandinavia and the European Community at the meeting.

Officials were discussing methods of establishing an aid programme to help the Third World avoid the use of CFCs in aerosols and refrigerators. Ms Weir, who was an observer in Geneva yesterday, said that at a previous meeting the US, together with other member countries, had agreed to provide additional funds for such aid.

But she said that yesterday Mr Smith said that the aid should not come from new money but from the redirection of World Bank funds. The decision would be a blow to the Montreal Protocol meeting in London next month.

Soviet nuclear plant planned

A Soviet nuclear export company plans to start up by the end of the century the first block of a 6,000 MW nuclear plant which will be sited 70 km from the Soviet border with Finland, writes Enrique Tessieri in Helsinki.

Mr Anatoli Ozerov, the Helsinki-based representative of Atomenergoexport, the Soviet company, said feasibility studies in Kuolimkijärvi would be concluded by next year.

However, Mr Ilkka Suominen, the Finnish Minister of Trade and Industry, said he had no information about the plant.

BAe and Aerospatiale set up five-year joint study into a 'new generation' Concorde

BRITISH AEROSPACE and Aerospatiale of France are to carry out a five-year feasibility study on a supersonic airliner to replace Concorde, writes Paul Betts, Aerospace Correspondent. The decision on whether to go ahead with what would be a $10bn production programme would be made in 1995, Mr Henri Martre, Aerospatiale's chairman, said yesterday.

Mr Bob McKinley, managing director of BAe's commercial aircraft division, said the two companies would be studying the technical, environmental and commercial aspects of producing an aircraft capable of carrying 275-300 passengers to enter service between 2005-2010. The 13 Concordes in operation on British Airways and Air France transatlantic routes are expected to be retired in 15-20 years' time.

Any second generation supersonic airliner (an artist's impression of which is pictured left) is expected to have a longer range than Concorde to enable it to make non-stop flights across the Pacific.

Madrid economic policy on the line at union talks

By Peter Bruce in Madrid

THE Spanish Government and trade unions are due to begin a round of negotiations today that could make or break Madrid's fragile efforts to slow the country's buoyant economy without dragging it into recession.

The two sides will start the second phase of their *concertacion* in the wake of a warning from the International Monetary Fund that wage agreements are spinning out of control so quickly they could threaten economic gains made since Spain joined the European Community in 1986.

Employers are settling pay deals at around 8.6 per cent, more than a full point up on last year and well ahead of an already rising rate of inflation.

The Government, which has been generous this year in meeting union pension and minimum salary demands, has now invented what it calls a "competitiveness pact", a thinly disguised wages agreement designed to ensure that any real increases are offset by growth in productivity.

Few people question the need for a combined effort to bring the economy into line. Despite a tough credit squeeze imposed by the Bank of Spain more than a year ago to cool the economy, inflation, money supply and credit growth are all increasing uncomfortably quickly.

There is no sign of interest rates falling from their 16 per cent levels, and the strong peseta is hurting industry.

The credit squeeze is causing unexpected damage to industrial production. Companies, mainly in the public sector, have begun to issue their own commercial paper to generate new funds to finance exports and investments. That, in turn, is making it harder for the Government to ease its lending restrictions.

Mr Felipe Gonzalez, the Socialist Prime Minister, is looking for a deal to last through to the end of 1993 and is trying hard to clear the way for agreement on issues the unions feel strongly about. In an interview late last month, Mr Gonzalez made it clear he felt employers were hiring too many people on temporary contracts, as permitted by a law introduced five years ago. "I have to say that if there are any excesses (in the labour markets) it is in the hiring of people on temporary contracts for jobs that would normally be considered permanent," he said.

The Government had promised the unions they would be allowed to vet all job contracts. But trouble flared earlier this week when the authorities appeared to back down and referred only to temporary contracts. The law recognises certain jobs as being, by nature, permanent, and the unions badly want the right to check contracts. The dispute could even delay the start of the talks.

Overall, though, the tone is conciliatory, and a far cry from the atmosphere two years ago when the country's biggest union, the Union General de Trabajadores, split from the Socialist Party over the conservative drift of government policies.

In the first phase of *concertacion* in January the Government made concessions worth close to $3bn (£1.79bn) to meet union demands. It has been criticised, not least from within the Bank of Spain, for undermining efforts to cool the economy – less than a year after it succeeded in placing the peseta with the "disciplined" exchange rate mechanism of the European monetary system.

Hungary opposition wants rapid pull-out from Pact

By Nicholas Denton in Budapest

HUNGARY'S largest opposition party yesterday called for the country to withdraw from the Warsaw Pact in a surprise move which will exacerbate growing tensions within the governing coalition.

The liberal Alliance of Free Democrats tabled an emergency parliamentary motion to restore the declaration of the revolutionary government of 1956 withdrawing Hungary from the Soviet-led military bloc.

The resolution said that the Government should immediately remove Hungarian armed forces from the joint command of the organisation even before negotiations with the Soviet Union on the withdrawal from the Warsaw Pact are complete.

The initiative, the first of its kind in eastern Europe, catches the Hungarian Democratic Forum, the conservative party which leads the new Government, off balance. Many Forum MPs and members sympathise with the proposal although it runs counter to the cautious foreign policy espoused by Mr Jozsef Antall, the Forum's prime minister-designate, and Mr Geza Jeszenszky, the likely foreign minister.

Moreover, leaders of the independent Smallholders'

Antall: new challenge

Party, the Forum's main coalition partner, responded favourably. "It is impossible for us not to support it," said Mr Jozsef Torgyan, leader of the Smallholders in parliament.

This new challenge to Mr Antall's control over his party and the coalition comes amid mounting disaffection with the last week's pact under which the Forum gave the presidency to the Free Democrats.

The Forum leader forced the agreement through his party and did not consult the rest of the coalition. At the time, the reconciliation between the two main parties was welcomed by the international financial community and many Hungarian commentators as inaugurating a stable democracy in Hungary and ensuring a working government.

But the Christian Democratic People's Party, the minor party of the conservative coalition, now says it does not accept the agreement and will give only passive support to Mr Antall's Government. The party has, however, indicated that a concession by Mr Antall on ministerial posts may be enough to bring it back into the fold.

Potentially more damaging is the widespread opposition to the deal with the Free Democrats within Mr Antall's own party. Mr Csaba Kiss, the Forum's spokesman, admitted that "the division is very deep."

Any retreat to dissipate the growing tension within the coalition would undermine foreign confidence in Hungary's new Government and in Mr Antall's authority. Despite Mr Antall's declarations of Hungary's willingness to fully service its debt, discounts on Hungarian debt – previously minimal – have grown to 18 per cent since the Forum's election victory.

Commission toes the freer British line on takeovers

TAKEOVERS ARE a good thing because they allow the market to pick its own winners and enable industry to restructure quickly, expanding and changing to meet new market challenges. They are essential if Europe is to compete against Japan and the US.

This typically Anglo-Saxon view was stated clearly by the European Commission this week, as it announced its new collection of measures to reduce barriers to takeovers.

Its plans, taken with the 29 existing measures in the area, could mean a change in the behaviour of many continental companies, and would extend the relatively relaxed takeover principles accepted in the UK to the rest of the Community.

Lucy Kellaway reports from Brussels on the latest proposals to ensure a level playing field for pan-European mergers and acquisition activity

The new proposals would limit the ability of companies to swallow poison pills, restrict the issue of non-voting shares and make it easier for shareholders to dismiss non-performing directors.

They are in response to British pressure to do something about the lopsided slope of the European takeover field – with 80 per cent of all takeovers in the UK, and hostile bids on the Continent still very rare.

In particular the measures would mean that:

- Boards of directors could be dismissed by a simple majority of shareholders.
- Companies could not buy back shares beyond 10 per cent of their equity without calling an extraordinary general meeting for approval.
- Purchases of a company's shares by its own subsidiaries would be included in overall limits of share buy backs.
- A subsidiary's shares in its parent would have its votes suspended if a takeover for the parent had been launched.
- The restrictions on non-voting shares would be further limited. The issue of non-voting shares (currently permissible so long as they have other compensating advantages attached to them) would be limited to 50 per cent of the capital.
- It would no longer be possible to limit the number of votes that any individual can hold.

The Commission has decided to make the proposals in the form of amendments to three existing directives, two of which are awaiting agreement and one of which is already in force.

The measures would make a comprehensive collection, hitting at almost all the technical barriers to takeovers, and addressing most of those highlighted in two recent consultants reports prepared last year by Coopers & Lybrand and Booz Allen.

Despite the breadth of the Commission's plans, the likelihood of them leading quickly to a more takeover-friendly Europe is doubtful. First, as last year's reports pointed out, most of the barriers to takeovers are cultural rather than technical.

The very thrust of the scheme is controversial, as many countries are ideologically opposed to the takeover culture; moreover the new amendments to existing directives may simply add to the difficulties already encountered in getting them approved.

The fifth directive, which has been awaiting agreement for almost 20 years, contains some 150 different articles, covering such issues as the duties of directors, the rights of minority shareholders and the conduct of annual general meetings.

Although most countries have problems with some parts of the directive, the most serious block is a proposal for worker participation, which continues to meet the unbending resistance of the UK.

By contrast, the 13th directive, which covers the behaviour and conduct of takeover bids, is making slightly better progress.

It lays down that a 33 per cent shareholding must trigger a full bid, specifies bid timetables and provides for a supervisory authority in member states to police the behaviour of parties during a bid.

However, there are doubts from many member states. Even those countries which are in favour of Community measures disagree on the flexibility of the system.

Britain would like the bodies in member states to be given considerable leeway in interpreting the rules, while the French and Italians would rather all was written into the directive at the outset.

Assuming these problems can be overcome, there is the further difficulty of how to make countries abide by the agreement. Of the 13 directives that have been adopted, few have been fully implemented by member states, and those that have are not widely observed.

The fourth directive, which deals with the content and publication of accounts, was meant to have been implemented by 1982. Even though nine countries have changed their laws accordingly, compliance with the rules is patchy at best in most places except the UK.

The latter has been pressing the Commission to do something, and doubtless it will shortly start to put on the moral pressure.

Information is the first stage to the takeover process and if companies do not even have the most rudimentary information their way may be blocked, regardless of how many barriers have been removed thereafter.

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Amex chief Robinson: Uruguay Round ambitions

US services sector urges White House to retain right to trade sanctions

By Peter Montagnon, World Trade Editor

THE US services sector wants the Bush Administration to retain the right to take unilateral action against its trading partners under Section 301 of its trade law as part of the results from the Uruguay Round of trade negotiations, Mr James Robinson, Chairman of American Express said.

"It's my observation that the service sector believes it's important to keep Section 301," he said in an interview during a visit to London this week. Outlining the ambitions of the services industry in the round, Mr Robinson also said the sector was not just looking for promises for the future.

It wanted actual agreement to roll back some existing barriers to trade in services as part of the final package as well as a credible dispute settlement system that would allow for so-called "cross sanctions" in Gatt.

This highly controversial term describes the ability of a country facing barriers in the services sector to exact compensation by restricting the offending party's trade in goods. It is currently permitted under US trade law.

Mr Robinson, a prominent supporter of Uruguay Round efforts to liberalise trade in services, said the US services industry would either be neutral or vocal in its opposition to the Uruguay Round result if it did not include an agreement on trade in services.

US officials have said they need strong support from a broad range of interests, including the services sector, to pilot the final agreement through Congress. This is because the agreement is likely to involve reduced assistance for some heavily protected industries such as the politically powerful textiles sector.

However, Mr Robinson's remarks suggest that the US services sector will subject any final agreement to careful scrutiny before deciding on the strength of its support.

Though developing countries had been reluctant to liberalise trade in services, he said there was a differentiation in their position now and they were not behaving as a bloc. Also they should recognise that, without an agreement on services in the Uruguay Round, the US would step up its bilateral actions, he said.

A comprehensive Uruguay Round result was, however, still the main priority for the US, he said. Anything short of that would be "a very distant second choice".

The US and other industrial countries were making progress in the services negotiations, he added. He said he had been assured by the US Treasury that, after some uncertainty, it was now prepared to see financial services included in an agreement. The US services lobby was also working to drum up support in the airline industry, hitherto a reluctant player.

Telecoms practices to take centre stage at talks in Geneva

Hugo Dixon explains how the telephone cartel's artificially high prices damage international economic development

INTERNATIONAL telecommunications practices are moving again into the trade arena this week.

As trade representatives meet in Geneva to negotiate the extension of the General Agreement on Trade and Tariffs to services, one of the items on the agenda will be how to free the world's telecommunications markets. They are likely to authorise a new committee, which is due to meet for the first time next month, to draw up a special annex to go with the main framework agreement on services.

The rules governing trade in telecommunications services have traditionally been determined by the phone companies themselves or ministries responsible for telecommunications.

The interest of the trade ministries has been sparked not only because the telecommunications services industry is increasingly important in its own right but because it plays a vital role in enabling all other industries to trade.

Service industries such as insurance, banking and air transport are heavily dependent on telecommunications; manufacturing industries are also coming to rely on electronic means of communication to tie together operations that are dispersed across the world and to exchange orders and invoices with suppliers in other countries.

Although there seems to be general agreement that the Gatt services negotiations should include a special telecommunications annex, discussions on the details of that annex are at an embryonic stage.

The only paper so far on the table, from the US, focuses on freeing the use of private circuits. The US is concerned that the high prices and tight restrictions on the use of such circuits is holding back the development both of private networks that are used by multinational companies for internal communication and of enhanced telecommunications services.

However, the Gatt negotiations provide trade ministers with the opportunity to attack a much greater distortion to world trade. This is caused by the artificially high prices users are paying for ordinary international calls.

The Financial Times revealed last month that consumers across the world were being over-charged more than $10bn a year for international calls and that prices were on average three times costs as a result of cartel practices among the world's phone companies.

Although the US paper does not address this issue directly, there are several ways in which Gatt could act to bring prices down in line with costs. This could be done by following the US approach, which concentrates on restraining the phone companies from abusing their monopoly positions rather than challenging the right of countries to maintain monopolies for providing basic telecommunications services

The US draft annex says users should be able to get access to basic services at "reasonable and nondiscriminatory rates". As it stands, the language is probably too vague to prevent phone companies over-charging for international calls but it could be toughened by replacing "reasonable" with "cost-based".

Another way of combating the cartel's practices would be through the general provision on transparency that will be contained in the framework services agreement. This could be a powerful tool because the cartel's practices are far from transparent.

First, it could be used to shed light on the accounting rate system, a method of sharing revenue which penalises phone companies which cut their international prices. Accounting rates are considerably above costs but it is difficult to say how far out of line they are because only the US publishes its rates.

Second, it could reveal the extent to which phone companies are using their monopoly profits from international calls to subsidise local phone calls and postal services. The phone companies have traditionally argued that the cross-subsidy is large but, in most cases, their claims have not been investigated and the size of the subsidies have not been quantified.

The Gatt negotiations provide the best opportunity for tackling the international phone cartel on a multilateral basis. So long as the regulations covering international telecommunications are decided by bodies such as the International Telegraph and Telephone Consultative Committee (CCITT), whose economic committee is dominated by the phone companies themselves, the likelihood of quick change is slim.

But the involvement of trade ministries, which have a responsibility to look to the health not just of their phone companies but of their economies as a whole, offers the chance of more speedy action.

Construction in Asia to expand 20 per cent

THE VALUE of construction projects in southeast Asia is poised to expand by 20 per cent a year over the next decade, with about $300bn-worth of new contracts coming on stream, according to Mr Kong Yee Peng, executive director of the Master Builders' Association of Malaysia, Reuter reports from Kuala Lumpur.

The boom stems from strong economic growth among members of the Association of South-East Asian Nations (Asean), analysts said here at a regional seminar on construction, and that $300bn could be a conservative estimate. It would be fuelled largely by infrastructural investments launched by governments struggling to match a surge in industrial activity.

The Manila-based Asian Development Bank last week forecast an average 7.2 pct growth in gross domestic product (GDP) for the six countries which make up Asean - Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Most construction investment in the region will be seen in Indonesia and Thailand, whose infrastructures are being stretched by local and foreign investments in other sectors. The Japanese are particularly active, Mr Kong said.

Banking credit for construction projects in Indonesia rose to $6.1bn in 1989 from $4.5bn in 1986, Mr H. Surasa, president of Indonesia's Bank Bumi Daya, said. The figure will rise even higher in 1990 in line with the expansion of Indonesia's development budget, he said.

"Rapid economic expansion has resulted in a serious shortage of infrastructure such as highways, ports, electrical power and telecommunications facilities," Thailand's Deputy Foreign Minister Prapas Limpabandhu told the seminar.

"The total value of (Thailand) construction in 1989 was 221bn baht ($8.5bn) or 12 pct of GDP," he said.

Malaysia plans to spend 80bn ringgit ($29.6bn) on government projects in its 1991-1995 five-year development plan, a senior Malaysian government official said.

Malaysia is experiencing an overflow of foreign investments rechanneled from Thailand, which is facing bottlenecks as industrialisation exceeds infrastructure improvements.

UK groups win Soviet contracts

BICC Data Networks of Hemel Hempstead in the UK, part of the BICC Technologies group, and Spec, a UK technology distribution company specialising in the Soviet Union, are combining to develop the Soviet data communications market, writes Alan Cane.

Spec has won Soviet contracts worth £3m for which BICC is supplying advanced computer communications technology including fibre optic cabling.

BICC's share of the deal will be between £1.5m and £2m. The first use of the technology will involve construction of a network to link 18 buildings in a Crimean industrial complex.

It is BICC's second recent east European deal. The first, worth £1m, involved the sale of computer network equipment to Hungary.

Toyota to set up Turkish plant

TURKEY'S State Planning Organisation has granted an investment encouragement certificate to Toyota of Japan to establish an assembly plant for cars and commercial vehicles, writes Jim Bodgener in Ankara.

The project, which is in conjunction with Haci Omer Sabanci Holding, the leading Turkish industrial group, requires a total investment of $325m and was recently approved by the Turkish cabinet along with a similar one for Peugeot/Citroen.

Starting in 1993, the Toyota venture plans to make up to 100,000 units annually at a production line to be established near Adapazari in north-west Anatolia. Japan's Mitsui may take a 10 per cent stake. The shareholding will be split equally between Sabanci and the Japanese interests.

Canadian interest mounts in rail link

By Bernard Simon in Toronto

ASEA Brown Boveri, the Swiss-Swedish electro-technical group, is proposing to adapt Swedish technology for a C$3bn (£1.5bn) high-speed train linking Toronto and Montreal, Canada's two biggest cities.

ABB's proposal, based on the train which comes into service between Stockholm and Gothenburg this year, was unveiled in Toronto yesterday amid growing government and industry interest in a high-speed surface link through Canada's industrial heartland.

Bombardier, the Montreal-based transport equipment company, has also expressed interest in the project with a preliminary C$5.3bn proposal. Bombardier has North American rights for GEC Alsthom's Train à Grande Vitesse (TGV) technology. Its bid depends on government funding as well as outside investment.

The Bombardier project envisages trains running at up to 340 km an hour on new track, coming into service by 1996. While the ABB train would be slower, it would use existing track and could be in service within three years. Although the high-speed trains would initially be confined to the 500 km run between Toronto and Montreal, the service if successful would be extended to Quebec City in the east and Windsor, Ontario, in the west.

● William Dullforce reports from Geneva: Asea Brown Boveri's Swiss waste incineration subsidiary, W+E Umwelttechnik in Zurich, has secured a SFr100m (£42m) contract to build one of the world's biggest household refuse incineration plants for the city of Amsterdam.

The contract, in which W+E is partnered by Hollandse Constructie Groep, was won in an international bid contest held in accordance with the European Community's 1992 preferred rules of competition. The same partnership previously built a special waste incinerator for Rotterdam.

OVERSEAS NEWS

Eight Kuwaiti pro-democracy activists arrested

By Victor Mallet, Middle East Correspondent

CONFLICT between Kuwait's ruling al-Sabah family and pro-democracy activists came to a head yesterday when the Government announced the arrest of eight Kuwaitis who have been campaigning for the restoration of parliament.

The arrests at a meeting on Tuesday night mark a new and more serious phase in the six-month political battle between Sheikh Jaber al-Ahmad al-Sabah, the Emir, and the pro-democracy faction led by a group of 32 former MPs.

There have already been clashes between the security forces and thousands of demonstrators over the issue of the National Assembly, but diplomats in Kuwait expressed surprise about the decision by the authorities to raise the stakes and arrest leading politicians.

Sheikh Jaber suspended the assembly at the height of the Gulf war between neighbouring Iran and Iraq in 1986, but held talks with the protesters this year and decided to establish a four-year interim assembly to map out the country's constitutional future.

Many of the former MPs and their supporters, convinced that Sheikh Jaber is trying to buy time and delay the restoration of parliament indefinitely, have decided to boycott the June 10 elections for the interim assembly, and most of the candidates are political unknowns.

The boycott movement has angered the al-Sabah family, which is under pressure from Saudi Arabia not to allow democratic influences to spread into the Arabian peninsula.

Among the eight arrested were Dr Ahmed al-Khatib, a nationalist ex-MP who warned earlier this year: "We hope for peaceful change, but if people are frustrated violence cannot be ruled out."

The Government's critics include leftists and Moslem fundamentalists. They have used *diwaniyas* – traditional male gatherings at people's homes – to air their grievances in the absence of any other political forum.

Opposition activists said the eight were arrested when security forces stormed the *diwaniya* of Mr Abdul-Mohsen al-Farhan and assaulted some of the 200 people attending the meeting. The Interior Ministry said it was an illegal gathering, but it was not clear yesterday what charges the detainees would face.

Politicians said a second *diwaniya* at the home of an MP was stopped by the authorities on Tuesday. Another former MP, Sunni Moslem fundamentalist Mr Ahmad Baqir, was arrested on Monday for distributing leaflets.

In an embarrassing coincidence for the Kuwaiti authorities, an Amnesty International delegation was on its way to Kuwait from London yesterday to monitor the trial on May 12 of a group of Shia Moslems accused of subversion.

Few of the pro-democracy activists challenge the right of the al-Sabah to rule Kuwait, but they believe that freedom of speech is essential for the running of a modern state. The National Assembly's opponents, on the other hand, say it was a divisive institution which antagonised Kuwait's powerful neighbours in the Gulf.

Saudis to open stock exchange

SAUDI ARABIA will introduce a regular stock exchange later this month, a high-ranking finance official said yesterday, AP reports from Riyadh.

Mr Ahmed al-Malik, deputy governor of the Saudi Monetary Agency, which acts as a central bank, told the newspaper Okaz that the bourse will be opened on May 24.

Mr Malik made the statement after a meeting of Sama branch managers in the city of Tobuk, north of the capital Riyadh.

The kingdom has allowed dealings in shares and stocks through banks and special financial houses. Mr Malik said the future of these houses had not yet been determined.

He gave no other details on the governing statutes for the stock market or the rules and regulations for dealings.

Among neighbouring countries in the Gulf, the central island state of Bahrain is developing a stock exchange it opened about a year ago with the hope of becoming the financial centre of the region. Kuwait has an active official stock exchange, while Oman has a fledgling one.

Gulf countries have been moving cautiously with the development of stock markets after Kuwait's experience with Al-Manakh, the unofficial stock exchange which collapsed in 1982 under the weight of \$94bn of post-dated cheques. But they now want to use stock markets to prevent private Arab savings from flowing abroad.

Sama figures earlier this year showed that the total value of shares traded in Saudi Arabia in 1989, through the financial houses, was Riyal 3.4bn (£557m), 65 per cent up on 1988.

Lagos monetary curbs prove their point

Our Correspondent looks at measures that cut money supply and reduced imports

THOSE African countries battling to control the two critical factors in economic recovery programmes being implemented on the continent – exchange rate and inflation – might find the Nigerian experience instructive.

The credit squeeze introduced last year by the authorities in Lagos illustrate just how effective monetary policy can be.

A year ago, inflation was running at well over 50 per cent, largely because the naira had been in free fall from N4.5 to the dollar in early 1988 before levelling off (it currently stands at N7.8 yesterday) but also because the money supply had jumped 64 per cent over the same period.

Although the Central Bank of Nigeria had posted credit ceilings limiting growth to only 9.5 per cent in bank lending, actual figures showed 25 per cent credit expansion. With the International Monetary Fund demanding effective measures to narrow the 40 per cent gap between the exchange rate for the naira determined by the auction of available foreign exchange and that ruling in the interbank market, the Nigerian authorities finally turned off the monetary tap in April and June last year.

In April reserve and liquidity ratios were increased. But this was far less important than the May measures banning banks from making naira loans to their clients on the strength of foreign currency deposits held abroad, and instructing parastatals to shift their deposits from the banking system to the Central Bank itself.

At the stroke of a pen, the money supply was cut by almost 10 per cent and interbank interest rates doubled. The impact on the economy was little short of dramatic.

Businessmen who had been forced to maintain literally dozens of bank accounts as a means of scraping together enough foreign exchange at the foreign currency auctions, found themselves short of naira. With overdraft money costing at least 27 per cent, firms responded by reducing import buying orders and cutting working capital requirements wherever possible.

In many cases, their difficulties were compounded by a collapse of consumer demand in the face of rampant inflation and the credit crunch. Industrialists and retailers found themselves saddled with rapidly-growing stocks of finished goods, resulting in further cuts in the demand for foreign exchange.

So it was that within a matter of months, Nigeria was transformed from a naira-surplus economy to naira drought. The impact on inflation and in the foreign exchange market was immediate.

The gap between the auction and parallel market rates of exchange fell from more than 40 per cent early in 1989 to around 15 per cent earlier this year. Inflation, which on the official index, had peaked at 57 per cent year-on-year in March, had fallen to 28 per cent by December. Indeed, in the latter half of the year, the price index fell by some 5 per cent.

But the success of monetary policy brings problems of its own, notably pressure which puts some of the smaller banks at risk.

In the last four years, the number of banks has more than doubled from 41 – 29 commercial and 12 merchant – to close on 100. Many of the newer banks came into the market to exploit the foreign currency auction system, whereby every approved operator was guaranteed a minimum application of dollars. Until the mid-1989 credit crunch a bank licence was almost a licence to print money, by dealing in the foreign exchange market.

This no longer applies, and the air is thick with dire forecasts of a banking crisis and enforced bank mergers as some of the smaller banks go to the wall. Indeed, last year the authorities had to provide a safety net for some banks whose dependence on parastatal deposits was so great that they became technically insolvent almost overnight. Fortunately, Nigeria does have a government-backed deposit insurance scheme which guarantees the funds of smaller depositors.

For the banks sharply higher interest rates are a decidedly mixed blessing. The lucrative foreign exchange business has lost much of its attraction, while those banks that depended largely on either parastatal deposits or on interbank funding continue to have a torrid time.

The likelihood is that there will be a shake-out in the industry over the next two years, particularly if the tight monetary stance is maintained. While the 1990 credit guidelines allow banks a 12.5 per cent rate of credit growth compared with last year's 10 per cent, the ceilings will this year apply to all credit granted to the private sector, whatever form it takes.

As usual, the smaller banks are allowed to expand their credit more rapidly, but the signs are that – so long as the public sector deficit is curbed – high interest rates will prove much more effective than credit ceilings, as in 1989, in controlling money supply.

Government borrowing is the joker in the pack – the more so as the return from military government to civilian rule in 1992 looms ever larger.

If the authorities can keep a tight rein on their spending and borrowing – which will become increasingly difficult in the run-up to 1992 – then it should be possible to start easing the squeeze next year, especially since inflation will continue to slow.

At the same time, bankers are right to warn that a policy of squeezing the private sector while turning a blind eye to public spending – on defence, on the new political parties, and on political patronage generally – will do nothing for business confidence, investment and job creation

Seven civilians killed in Kashmir

SEVEN civilians were killed and 16 injured yesterday in street battles in the northern city of Srinagar, Kashmir, between Indian security forces and Moslem militants, police and hospital sources said, Reuter reports from Srinigar.

Militants threw grenades in a bold mid-day attack, injuring two paramilitary police in sandbagged bunkers in the city's Lal Chowk market.

Hospital sources and witnesses said five civilians were shot dead on one street when police opened fire. Police said another two civilians died in crossfire.

Srinagar is the summer capital of India's Jammu and Kashmir state, where the Moslem militants are seeking independence or merger with Pakistan.

Witnesses said they did not see the attack on the convoy and that troops appeared to fire at random on crowds after the grenade attack in the Lal Chowk market.

The Moslem revolt has heightened tension between India and Pakistan, which fought two of their three wars over Kashmir.

Pakistan controls one-third of the strategic territory and Delhi has told Islamabad to halt the infiltration of militants into Indian territory. Islamabad denies arming and training the militants.

Aoun seeks to halt ships

By Lara Marlowe in Beirut

GEN Michel Aoun yesterday issued a communique forbidding "local and international maritime agencies" from serving any port in Lebanon's Christian enclave, intensifying the "war of the ports" between Christian leaders in Beirut.

The Phalangist militia responded by firing rockets from speedboats off the coast of East Beirut at Gen Aoun's positions.

Gen Aoun's artillery then shelled the 28 mile coastline of the Christian enclave, including the militia's ports at Jounieh, Amsheet and Byblos. A barrage of explosions was heard throughout the afternoon. At least 20 people were reported killed and 41 hurt.

The militia has blockaded Gen Aoun's makeshift port at Dbaye, between Jounieh and Beirut, since April 23.

King of Nepal still sitting on top of a political volcano

K.K. Sharma, recently in Kathmandu

THE King of Nepal is sitting on top of a political volcano in spite of the restoration of democracy, says Mr Rishikesh Shah, a former Foreign Minister of Nepal.

As one of the leaders of the successful opposition movement to force the King to accept limitations on his power Mr Shah's point of view may come as some surprise. But back in Kathmandu after years of exile in India and still facing charges which carry the death sentence Mr Shah maintains that the battle between left and right is not yet over and could still bring anarchy to the tiny Himalayan kingdom.

King Birendra, the queen and those who have the sovereign's ear, a coterie known as "the palace", are involved in the new phase of the tussle between democrats (who form the interim government) and the extreme right.

The unexpected violence that followed the accession to power by the coalition led by Mr Krishna Prasad Bhattarai of the Nepali Congress was part of the continuing tug-of-war that is expected to continue until a new constitution for the country is hammered out in the next four to five months.

The King has accepted that he will become a constitutional monarch. But this may barely diminish the absolute position he held before he was forced to withdraw the ban on parties, or turn him into a mere figurehead.

The interim government and the king are unhappy with both extremes. The next few months will see hard bargaining between them on how much power the monarch, still venerated as a living god by the people, will have.

A commission is to be formed soon to formulate a constitution within 90 days.

The King's own position is difficult to determine because of his continuing inaccessibility, although Mr Bhattarai insists he has been assured by the sovereign that he will be guided by the advice of the council of the ministers. If he the King does not follow their advice, Nepali Congress and left-wing members of the coalition say his throne will be in peril.

However, the King is under pressure by members of the extreme right to insist on certain discretionary powers that will protect members of the coterie that has ruled Nepal for the last 30 years.

A powerful group of more than 150 members of the dissolved national assembly have formed their own political party which claims its main purpose is to guard against violence from extreme communists.

However, the party is much more likely to guard vested interests developed in the three decades of a partyless system and seek to win the approval and backing of the King. If this happens, uncertainty and instability could lead to anarchy in Nepal.

The curious position is that everyone in Nepal, with the exception of small militant group of communists wedded to violent struggle, wants the king to remain.

"In this country of diverse people, we need the king as a symbol and protector of our unity. Without him, we could be torn apart," said Mr Man Mohan Adhikari, a theorist belonging to the left wing groups in the government.

This view is shared by the Nepali Congress led by the ailing and ageing Mr Ganesh Man Singh and others as well as by the numerous groups that fought for 30 years against "rule by peremptory command" by the king. Unless he makes a rash move, the king will surely survive.

But this cannot be ruled out. Already people are restive because of a widespread feeling that the government is dithering on various issues.

These include inquiries into allegations of widespread corruption by the "palace" coterie, the failure to come up with a package of economic reforms and the slow movement to settle the differences with India over trade and related issues that have caused considerable hardship in the country.

Roh Tae Woo elected to two year term as party president

S Korean students fight running battles in Seoul

By John Ridding in Seoul

THOUSANDS of students fought running battles with riot police in the centre of Seoul yesterday in the worst protests seen in the capital in over a year.

Violent clashes were also reported in several other cities as an estimated 45,000 students nationwide protested against the ruling Democratic Liberal Party which held its inaugural convention earlier in the day.

In Seoul, students attacked office buildings and threw rocks and fire-bombs at the police who responded with volleys of teargas fired from armoured vans. Fire-bombs were thrown at the US cultural centre, and near the city hall and a number of the capital's tourist hotels police were temporarily outnumbered by the protestors.

Two police vehicles were set on fire outside the Lotte hotel. The students shouted for the dissolution of the DLP, which they described as dictatorial and undemocratic, and the resignation of President Roh Tae Woo.

The DLP was formed at the end of January through the merger of two opposition parties and the former Democratic Justice Party. The merger ended the unprecedented situation of an opposition controlled National Assembly and gave the new ruling party a two-thirds parliamentary majority.

But a series of social and economic concerns and the emergence of divisions between the constituent parties of the DLP have prompted a fall in its support. According to a poll conducted by one of South Korea's daily newspapers, the government's popularity has fallen to its lowest levels since President Roh took office in 1988. Earlier in the day, President Roh was unanimously elected to a two year term as President of the DLP. He then named Mr Kim Young Sam, head of the former opposition Reunification Democratic Party as party chairman, the number two position.

In his speech yesterday, President Roh expressed regret for the disappointment and concern which the DLP had created through internal divisions. "The process to democracy for the past three years demanded a costly sacrifice and the pain continues," he said. "But we will realise stability through consistent reforms and will achieve development based on stability."

Earlier this week he made a statement on national television in which he promised that pressing social and economic problems, including rising inflation, real estate speculation and housing costs, would be resolved by the end of the year.

The DLP also indicated that it will push for a revision of the constitution to create a parliamentary cabinet system after President Roh completes his five year term in February 1993. The party platform stated that "the DLP will embody a parliamentary democracy in which the parliament and the cabinet will be jointly responsible to the people."

Opposition parties voiced strong criticism of the merger. The Party for Peace and Democracy, the largest opposition group, described the new party as "anti-democratic, non-national, unethical and non-historic" and said it merely reflected the desire for power on the part of the leaders of the constituent parties.

The fledgling Democratic Party, created by members of the former RDP, described the DLP as "an illegal political group which should be dissolved immediately."

President Roh waves the new flag of the Democratic Liberal Party at the start of its first convention in Seoul yesterday

Bush braces for challenge to his China policy

Lionel Barber on details of the Washington debate

FIVE MONTHS after he despatched a secret high-level mission to Peking, President George Bush is still waiting for a political pay-off from the Chinese government.

Peking's failure to respond is a disappointment for Mr Bush who believes – with a passion – that he knows best how to deal with China.

It also weakens his hand with Congress as he braces for the next major challenge to his China policy: the annual decision on whether to renew China's Most Favoured Nation (MFN) trade status, which provides the most advantageous tariffs to a trading partner's imports.

Last year, US-China trade reached $18bn. The bulk ($13bn) flowed into the US, making it China's single biggest export market, surpassing Japan. Without MFN, the competitiveness of Chinese clothes, toys, watches and other consumer goods would fall dramatically.

Withdrawal of MFN would have repercussions well beyond US shores, too. The British embassy in Washington has begun lobbying Congress, warning that removal of MFN could strip Hong Kong, the main entrepot for US-China trade, of several billion dollars worth of business.

MFN, however, is also a political tool. Since 1974, any "non-market" (i.e. Communist) country which restricts emigration is ineligible under the Jackson-Vanik amendment, unless the President certifies that MFN would promote free emigration. The law was originally intended to put pressure on the Soviet Union but Congress has come to see it as a vehicle for expressing criticism of human rights' records. This year, MFN offers Congress the first chance to challenge Mr Bush since he vetoed Congressional legislation protecting Chinese students in the US.

The deadline for Mr Bush's decision on MFN is June 3, the eve of the first anniversary of the Chinese army's massacre of pro-democracy demonstrators in Peking's Tienanmen Square.

Symbolism matters. Tienanmen and the subsequent televised pictures of General Brent Scowcroft, Mr Bush's national security adviser, toasting the Chinese leadership during his second secret mission to Peking last December, evoked a raw emotion among the American public, according to polls.

But will the upcoming debate, in Congressional hearings, television and the press, address more substantive questions raised by US-Chinese business ties? Is the presence of US investment a long-term force for democratic enlightenment in China, as the New York Times argued in a recent editorial? Or do US-China business links legitimise the rule of the Communists and their crackdown, as some of Mr Bush's critics contend?

And what about the World Bank development projects, currently running into hundreds of millions of dollars, which are being held up under Mr. Bush's own post-Tienanmen sanctions?

On private investment, many US observers find it tricky to give an answer. Chinese students in the US – a potent force if they choose to act in concert, as they did in demanding visa protection last year – appear divided on MFN.

Even Mr Bush's most prominent critics, such as Mr Winston Lord, former US Ambassador to Peking in 1986-89, are wary of deploying the MFN weapon. Mr Lord, who broke with the President after disclosure of the two Scowcroft missions, said he is appalled by the administration's "tawdry symbolism" and "unilateral gestures." But on MFN, he says: "It's a lot more serious to revoke something you've already got rather than to extend it...I'm reserving judgment."

US business, which has around $4bn of direct investment in China, with just over 900 specific ventures, has to date been reluctant to speak out. Corporate giants, such as Boeing, General Electric, General Motors, McDonnell Douglas, Motorola and Rockwell, have left the lobbying to the US-China Business Council in Washington.

Yet business views clearly count in government circles. Last July, Mr Bush granted a waiver to Boeing so it could proceed with a $150m sale of airliners; last December, the President waived a Congressional ban on exporting telecommunication satellites for launch by China.

These deals have the advantage of helping to correct the growing trade imbalance between the US and China – which had already reached $1.8bn in the first two months of this year, a deficit surpassed in size only by those with West Germany, Japan and Taiwan.

Those most hostile to the Chinese leadership argue that the trade imbalance would be wiped out overnight if MFN were withdrawn and Chinese goods faced the resulting 60 per cent trade tariffs. But if Peking reciprocates, then Chinese tariffs would be higher for US-made components going into joint ventures.

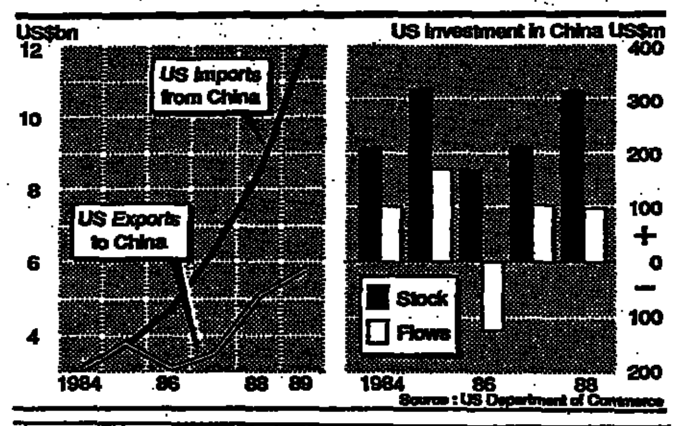
The British are less reticent. In concert with the Hong Kong government, they have begun to press for continuing MFN status for China. According to Mr Peter Lo, Hong Kong government minister for trade and economic affairs in Washington, some $6-8bn of Chinese goods passed through Hong Kong last year.

Much of Hong Kong and US investment is concentrated in southern China, where 10,000 businesses employing more than one million people, are dependent on exports.

"These people would find it virtually impossible to scale the high tariff walls if MFN is revoked," said Mr Lo.

Washington experts believe that the Chinese will make some gesture before June aimed at influencing the MFN decision but not in a way which appears to be the result of US pressure.

One sign was the recent lifting of martial law in Tibet. "It could simply be a statement of the value which the leadership attaches to foreign investment," says one former Reagan administration official who dealt with China, "but it will be looked at from the point of view of Chinese self-interest."



Source: US Department of Commerce

Australian rail reform could cost 38,000 jobs

By Kevin Brown in Sydney

UP TO 38,000 employees could lose their jobs under proposals presented yesterday for the reform of Australia's heavily subsidised railway system.

The proposals of the quasi-governmental Railway Industry Council are part of a programme of structural reforms being considered by the Labor Government to modernise the Australian economy.

The council's report – Rail Into the 21st Century – says a commercially viable national rail network is achievable, but warns that it will have to be substantially smaller than the existing system.

Australia currently has seven separate publicly-owned rail authorities – six run by the states and one by the federal government – operating just over 37,000km of track, of which 18,600km carry passenger services. All but the federal Australian National Railways are heavily subsidised.

The council's report says the seven systems lost A$1.8bn (£810m) in 1986/87, and would still be losing money heavily by 2001 unless radical changes were made.

"All loss-making freight and passenger services will need to be critically re-examined," said Mr Gavin Keneally, chairman of the council.

The report puts forward a series of options under which between 30,000 and 38,000 of the 54,000 railway jobs would be lost over the next decade.

It says some "community service obligations" could be retained, such as loss-making rural services, but calls for costs to be clearly identified.

The report is likely to meet resistance from state governments and railway trade unions, even though the council includes representatives of both.

Mr Joe Sibberas, vice-president of the Australian Railways Union, said the railways needed more investment and more staff rather than less track.

Many of Australia's long distance railway services have been significantly improved in the last decade, and the country boasts several world-class trains, including the Indian Pacific from the east to west coasts, and the Ghan, from Adelaide to Alice Springs.

A feasibility study is also under way into plans for a privately financed and operated very fast train, which could eventually run at 350kph between Melbourne, Canberra, Sydney and Brisbane.

However, some long distance services are very slow, partly because of lack of co-operation between the various railway authorities. Many local commuter services are also poor, with ageing rolling stock.

● A collision between an intercity passenger train and a steam-powered excursion train which killed six people and injured 100 on Sunday was probably caused by a signalling fault, Mr Bruce Baird, New South Wales Transport Minister, said yesterday.

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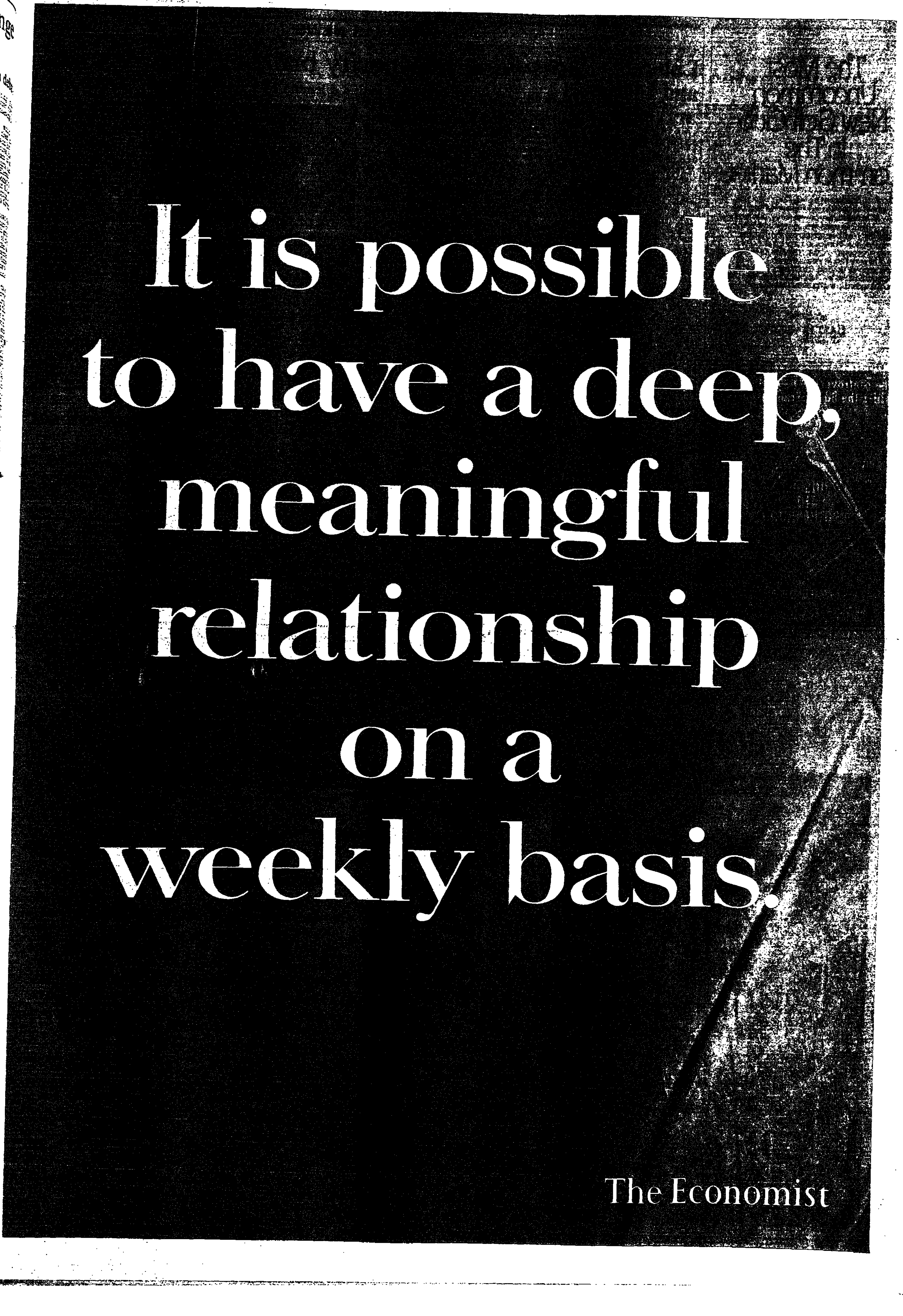

OVERSEAS NEWS

Labour and Likud may enter pact talks

By Hugh Carnegy in Jerusalem

THE LEADERS of Israel's Labour party said yesterday they were ready to discuss reviving a national coalition with the Likud party of Mr Yitzhak Shamir. Some openly proposed softening the party's commitment to US terms for Israeli-Palestinian peace talks in order to do so.

But the move to pre-empt the formation of a Likud-led narrow right-wing coalition immediately exposed deep divisions within Labour that have opened up since Mr Shimon Peres, the party leader, failed last month to form an administration committed to peace talks.

Responding to proposals for a renewed Likud-Labour Government by the small National Religious Party, top Labour figures decided, in the words of one party official, "to open the door without making declarations which would preclude a successful outcome."

This implied backing off from Labour's insistence that Israel accept terms for peace talks put forward by Mr James Baker, the US Secretary of State. Mr Shamir's refusal to do so caused the collapse of the Likud-Labour coalition in March. Yesterday Mr Shamir, now leading a caretaker government, said he was considering Labour's position.

Mr Yitzhak Rabin, the powerful former Labour premier who wants to supplant Mr Peres, led the call for a shift in the party's stance. "The peace process does not end with an answer to Baker. In principle, Labour won't remain in a government which has no peace process, but it won't insist on matters it was ready to accept before the government's fall."

At issue is the direction Labour should now take. Mr Rabin and his supporters are chiefly concerned to stop Likud forming a government supported by far-right and religious parties, believing it to be dangerous for Israel.

Others want Labour to go into opposition, hoping that a Likud-Labour coalition would result in further stalemate.

Botswana prosperity brings growing pains

The country's wealth has left it with a dilemma over development, writes Mike Hall

A FLOCK of white-robed women will mob any traveller who stops at a certain place south of Francistown. At least 10 of them – screaming "me first!" – will surround a vehicle and try to stuff bundles of cash through the windows into the hands and pockets of passengers.

The women live by illicit trading and dealing in foreign currency, selling Botswana pula to visiting Zimbabweans and buying it back from tourists.

The method may be desperate, but their earnings clearly cover the risk of the odd driver taking off with a windfall.

Demand for pula is strong. And whereas almost every other African country has a thriving unofficial market for US dollars and other hard currencies, in Botswana there is none.

In fact, last year the pula appreciated by 3.4 per cent against the US dollar and by 15.5 per cent against sterling.

The reasons lie in this southern African country's vast foreign reserves, accumulated from almost 20 years of exporting gem diamonds; a booming economy; and the proximity of South Africa, the main producer of the region's consumer goods.

Eye for detail: gems boosted reserves to $2.6bn in 1989

Growth in production between 1980-87 was the world's highest at 13 per cent a year, according to the World Bank. The opening in 1982 of the rich Jwaneng diamond mine helped boost reserves from $125m in 1980, to $2.6bn last year – equivalent to 29 months' imports.

Many observers believe the economy will continue to expand rapidly. But swift growth has brought problems for this semi-arid, cattle-herding nation. Less than a quarter of its 1.3m people are in the modern economy, which cannot absorb excess cash. Property prices and rentals have spiralled and negative real interest rates are encouraging borrowing for consumption.

Government efforts to help expand the economy – by putting up schools and factory shells, building roads and water transfer schemes – have fuelled a construction boom.

The Government is trying to taper off the rate of increase in spending, which is rising faster than that of revenue. This is despite a record budget surplus of P769m ($385m) last year.

It is also worried about the ever increasing reliance on diamonds, which now account for 63 per cent of revenue. Mr Festus Mogae, the new Finance Minister, warned in his recent budget speech that 20 per cent of recurrent spending was now coming from mineral earnings.

But many believe President Masire's ruling Botswana Democratic Party (BDP) is too cautious. They argue foreign reserves should cushion diamond market fluctuations, and other mineral developments, manufacturing, services, and especially tourism will continue to grow.

All acknowledge the need to put non-replenishable mineral wealth into renewable production. Diamond mining has provided few jobs but raised expectations.

Unemployment was a key issue in the general election at the end of last year. Although the main opposition party, the left-wing Botswana National Front (BNF), lost two of its five seats in the 38-member assembly to the BND, it increased its share of the vote by 7 per cent.

It also improved its already solid majority in the capital Gaborone and made significant gains in urban councils.

Although three-quarters of the population of Botswana live in rural areas – and many exist there only by heavy subsidies – agriculture has little growth potential, mainly because of the harsh climate.

Manufacturing is seen as probably the biggest job provider, and the Government seems committed to creating a better climate for investment. Botswana needs to absorb 30,000 school leavers a year. Job creation is now running at a third of that.

The textile industry is one of the more recent growth areas, and efforts are underway to attract firms from Hong Kong. But some analysts believe the Government is still overly cautious.

The recent budget, for instance, slapped a 10 per cent sales tax on almost everything. And a "one-stop shop" for investors, although six years old, is still not effective due to staff shortages.

Some observers believe that, deep down, many officials are suspicious of foreign investors. For the majority of Botswana, entrepreneurship is still limited to dealing in cattle. The women dealers near Francistown are, of course, a notable exception.

ANC and De Klerk seek support

AFRICAN National Congress leader Mr Nelson Mandela left on Wednesday for a six-nation African tour to discuss last week's watershed talks between his organisation and the South African Government, Reuter reports from Johannesburg.

An ANC statement said Mr Mandela and an ANC delegation would visit Zambia, Angola, Nigeria, Algeria, Egypt and Libya.

Mr Mandela's departure coincides with South African President Mr F.W. de Klerk's arrival in France at the start of a trip to nine European states, explaining his programme of political reform aimed at sharing power between the republic's blacks and whites.

Mr de Klerk's Government and the ANC held their first formal talks last week and agreed on some of the steps they need to take before constitutional negotiations can begin on how to dismantle the apartheid system and introduce power sharing. While Mr de Klerk hopes his willingness to negotiate will lead to an easing of South Africa's international isolation, Mandela wants foreign sympathisers to keep up pressure for change.

ANC officials said that during his 12-day trip Mr Mandela would brief some of the thousands of ANC exiles, especially the guerrillas of the military wing Umkhonto we Sizwe (Spear of the Nation), waiting in camps for news of when they can return home.

In the tour, the 71-year-old ANC deputy president is also responding to invitations from sympathetic governments. This will be a continuation of the policy followed on his release from prison when he called on the supportive governments of Zambia, Tanzania, Ethiopia and Sweden. Mr Mandela was released in February after 27 years in prison.

In Cape Town, the ANC and the Government agreed a five-point plan to tackle major differences and work towards peaceful change. They said a joint working group would discuss proposals for the release of up to 3,000 people regarded by the ANC as political prisoners.

Mr Mandela said his organisation would look hard at its 30-year-old policy of using guerrilla warfare as a tactic to achieve full political rights for the black majority.

Islamic prisoners set free in Morocco

HUNDREDS of Islamic fundamentalists arrested after staging their biggest ever demonstration in Rabat seem to have been released as Morocco moved to counter charges of human rights abuses, lawyers said yesterday, Reuter reports from Rabat.

King Hassan announced the human rights moves six hours after eyewitnesses estimated 2,000 protesters were beaten up near Rabat's main square on Tuesday by men in civilian clothes armed with clubs and uniformed paramilitary police.

"I cannot know everything... I cannot know exactly what goes on in prisons," King Hassan said as he announced the setting up of a 37-member consultative committee on human rights.

"We are exasperated... by all these reports that tend to make believe there are people in prison in Morocco for political reasons."

Morocco's so-called political prisoners were in fact subversives, he said.

Eyewitnesses said the demonstrators were beaten as they were herded into the courtyard of the Court of Appeal when they refused to move from the main square.

The demonstrators said they supported six fundamentalist leaders of the outlawed fundamentalist Adl wa Lihsane movement whose appeal was being heard at the court house.

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AMERICAN NEWS

UK urges Nato to keep some US missiles

By David White in Kananaskis, Alberta

BRITAIN is continuing to insist that some US ground-to-ground nuclear weapons should be retained by Nato after negotiations on short-range nuclear forces.

UK officials made this clear at a meeting of Nato defence ministers here which began preparing the way for negotiations early next year that other European countries see leading the way to removal of all ground-launched nuclear weapons in Europe.

The ministers were expected to discuss the prospect of including nuclear artillery as well as missiles in the negotiations despite previous US reservations about the difficulty of verifying nuclear artillery shells. A "third zero", which would be in addition to the two categories of ground-launched missiles being scrapped under the 1987 Intermediate Nuclear Forces treaty, was successfully opposed by the US and Britain a year ago, but is now back under discussion.

If implemented it would involve more than half the estimated stockpile of 3,700 US nuclear warheads in Europe.

Nato's non-strategic deterrence would rely instead on weapons from aircraft – currently bombs but in future tactical air-to-surface missiles. In contrast to the ground-launched weapons, these can reach Soviet territory. However, West German officials were anxious that Nato should not press at this stage for decisions on deploying new air-launched missiles, because of the ongoing "two plus four" negotiations on German unity and the West German elections later this year.

Nato has meanwhile dropped its insistence that talks on short-range nuclear forces should wait until agreed conventional force reductions start to be implemented.

The meeting follows last week's US decision to drop plans for a new missile to replace the Lance deployed in Europe, as well as new 155mm nuclear artillery shells.

The planning staffs were wrong-footed by the announcement, which they had expected to be made at a later stage of the discussions.

The ministerial Nuclear Planning Group, which excludes France, held wide-ranging discussions on changes in the European security outlook and reviewed the results of a series of studies it ordered six months ago on the future role of nuclear weapons.

UK officials said that the redefinition of nuclear strategy, which is due to continue over the coming months, should not alter Nato's policy of reserving the possibility of a first nuclear strike.

Officials said that this part of the alliance's strategy was "sacrosanct".

Budget talks agreed in US

THE White House and Congressional leaders of both parties will start formal talks next Tuesday to negotiate a multi-year budget deficit reduction package, Peter Riddell writes from Washington.

The two sides yesterday agreed on the format of talks to be completed "as quickly as possible", though without a deadline.

Mr Marlin Fitzwater, the White House spokesman, noted varying estimates of the scale of measures required, ranging from \$45bn up to \$100bn.

He also said that it was clear to both sides that "severe action needs to be taken to reduce the deficit and keep the economy on a sound track".

Challenge mounted to cellular phones

By Roderick Oram in New York

MILLICOM, a small New York company, has been granted licences to run experimental Personal Communications Networks, a form of cheaper mobile telephones, in two US cities.

Approval of Millicom's request by the Federal Communications Commission is the first step in developing a new technology to challenge the existing cellular licensing duopoly operating in the US.

"This is the source of a new form of communications in the next century," said Mr Shelby Bryan, Millicom's chairman.

A PCN system is already being developed in the UK by a consortium including Millicom, British Aerospace, Pacific Telesis (the California Bell telephone company), and Matra (the French aerospace and industrial group).

Mr Bryan said Millicom would probably involve US and foreign partners in its test PCNs in Orlando, Florida, and Houston, Texas.

PCNs, which use a different segment of the radio spectrum for their signals than existing cellular services, have the potential of offering communications via smaller, lighter and cheaper hand sets than those currently used. "Existing cellular services will evolve into something more like PCN," Mr Bryan said.

Analysts believe, though, that PCNs face considerable political, technological and financial hurdles in the face of the entrenched competition from existing cellular services.

Each US city is at present served by two cellular licences, one run by the local wireline telephone company and the other by an independent. Increasingly the second licence has been taken over by a wireline company based in a different part of the country.

The system has led some regulators and consumers to accuse the duopolists of abusing their market power by overcharging customers and hindering development of mobile communications technology. The cellular industry vehemently rejects this.

Californians hit back at crime

Lionel Barber witnesses a citizens' assault on the judicial system

"ARE YOU the victim of a homicide too?" one woman asked, by way of introduction.

The event had been billed as a crime victims' picnic, an open-air group therapy session to promote reform in California's criminal justice system. Some 200 men, women and children, each wearing pink fluorescent peak hats and white name-tags, were present. Many, like the slim woman in a green summer dress, were eager to talk.

"My daughter was beaten to death by her husband," she said. "He beat her so bad that his hands were swollen twice their normal size.

"We went for murder one but they told us that if the jury failed to convict he would go scot-free. So we accepted a plea bargain. Now he's due out in March 1992, and he doesn't even have a parole hearing."

Her story helps to explain why more than 1m Californians have signed Proposition 115, a citizens' initiative which calls for sweeping changes in the state's criminal justice system and the rights of defendants. The strong support reflects the rise in the level of violent crime in California, and the public's perception that the present system ignores victims' rights while allowing defence lawyers to spin out proceedings.

The "Speedy Trial" initiative is specifically aimed at redressing these delaying tactics. For example, it would eliminate preliminary hearings in certain important cases where an indictment by a grand jury has been issued.

It would also:

- Require the defence to review evidence it intends to use in court
- Require judges, rather than the prosecution and defence, to question potential jurors, a reform which should accelerate proceedings and bring California in line with Federal practices.
- Expand the number of first degree murder crimes.
- Allow 16 and 17-year-olds to be sentenced to life without parole.

Proposition 115 will be on the June 5 election ballot in California; if passed by a majority of voters it will automatically become law. Just like Proposition 13, which capped state property taxes 12 years ago, Proposition 115 amounts to an assault on liberal values and the legacy of former Governor Jerry Brown and the State Supreme Court led by Chief Justice Rose Bird (voted out of office in 1986).

Then, as now, the proposition overshadows this year's state-wide elections, particularly the Democratic gubernatorial primary, also on June 5, between Mrs Dianne Feinstein, former Mayor of San Francisco, and Mr John Van de Kamp, the state Attorney General. Mr Van de Kamp – who opposes the death penalty – looks vulnerable on crime.

Feinstein: Urges a tough line

Mrs Feinstein has already attacked him for failing to prosecute the Hillside Strangler, a notorious local case. Mr Van de Kamp has sought to shift the debate, arguing that Proposition 115 interferes with state privacy laws and therefore offers a loophole to enact restrictions on abortion.

"That's completely bogus," retorted US Senator Pete Wilson, the Republican candidate for governor, who put his fund-raising muscle behind Proposition 115. The extra money for advertising and canvassing ensured that, after two previous failures, it gained the 600,000 signatures needed to qualify for the June ballot. Senator Wilson appeared at the weekend barbecue in front of Pasadena's Rose Bowl Stadium. He was more than happy to have his picture taken with some of California's hardest suffering crime victims.

Many were white, middle-class citizens, such as Shirley and Rodger DeVaul, whose 20-year-old son was murdered by a serial killer. Others came from throughout southern California – Bakersfield, Garden Grove, Long Beach, Orange County, Riverside and San Bernadino – each ready to relate crimes which for most people would remain unspeakable.

The leader of MOVE (Memory Of Victims Everywhere) is Mrs Collene Thompson Campbell, 57, an artist whose son was strangled and thrown out of a private aeroplane over the Pacific after attempting to use a drug deal to refinance his computer business. Mrs Campbell spent several years trying to get both killers in court during which time her brother, a nationally-known racing driver, and his wife, were murdered, assassination-style, in Bradbury, Los Angeles County. The murder remains unsolved.

Mrs Campbell appeared resilient as she urged her group to raise their hands skywards to pray for their lost ones. "One month to freedom," she shouted, with one eye on June 5. "We love you Collene," the crowd cheered back.

Moscow may face stiff EBRD loan limits

By Peter Riddell, US Editor in Washington

SIGNIFICANT limitations on Soviet borrowing from the proposed European Bank for Reconstruction and Development may continue after the initial three years of tight restrictions, Mr David Mulford, the Treasury under-secretary for international affairs, indicated yesterday.

US participation in EBRD was yesterday generally supported by members of the House Banking subcommittee on international development, finance, trade and monetary policy, though concern was expressed about the scale of Soviet involvement.

After considerable US pressure, Soviet borrowing for the first three years has been limited to its paid-in capital (a maximum of \$212m) and restricted to loans to the private sector and competitive enterprises.

Any change in the Soviet borrowing status after three years will require an 85 per cent vote in favour.

Mr Mulford said yesterday this might not mean total freedom for the Soviet Union to borrow and suggested that a number of countries, including Japan, might be cautious about expansion. There is, he said, a chance of "significant limits on borrowing."

The administration faces tough arguments to persuade Congress to authorise both US involvement in the EBRD and the 50 per cent increase in International Monetary Fund quotas agreed on Monday (even though the latter does not involve direct government spending).

In both cases Mr Mulford has pressed for tough conditions and the US has largely got what it wanted.

In the former it won a limit on Soviet involvement in the EBRD and the requirement that 60 per cent of loans be to the private sector or privatising companies. In the latter it successfully linked a limited quota increase to binding action to reduce arrears to the IMF.

Mr Mulford yesterday expressed some impatience that development banks such as the World Bank, the Inter-American Development Bank and the Asian Development Bank had not a great deal of interest and expertise in, or commitment to, private sector development or direct private investment. He said this was a serious weakness in these bodies.

The administration will not seek legislative approval for the IMF quota increase until next year, but the Treasury is hopeful of winning support because of Congressional backing for the debt strategy of Mr Nicholas Brady, the Treasury Secretary, and the wide interest in helping change in Eastern Europe, where the IMF is playing an active part.

The Treasury will also stress its success in winning approval for a tough arrears package in persuading Congress that a quota increase will not be wasted.

IMF relieved at quotas deal

Peter Norman reflects on a bitter-sweet aftermath to some Anglo-French haggling

THERE was noticeable relief in the elegant Washington headquarters of the International Monetary Fund this week.

After a three-year struggle to obtain an increase in its resources, the agreement that the IMF quotas, or membership fees, should be increased by 50 per cent meant the Fund could get back to its normal business of helping countries pursue sound economic policies.

But the haggling that accompanied the quota agreement left a nasty taste in the mouths of many officials, while the deadline of March 1993 for completion of the next quota review means that the issues of IMF resources and the attitude of the US, its largest shareholder, will not go away. The way in which Britain and France resolved their dispute over their rankings in the Fund dismayed several monetary officials from other industrialised countries.

The IMF is a body based on strict rules that must be adhered to at all costs. And yet two of its most senior members determined their membership subscriptions and voting rights on the basis of a horse trade that should lead to London becoming the home of the planned European Bank for Reconstruction and Development on the understanding that the presidency of the bank will go to Mr Jacques Attali, President Mitterrand's economic adviser. Moreover, the device by which they settled the dispute – an agreement by which Britain will loan part of its quota to France to give both countries joint fourth position in the Fund – was an entirely ad hoc measure and is nowhere to be found in the statutes.

Finally, although this point is disputed by Mr Pierre Bérégovoy, the French Finance Minister, the effective increase in France's quota to around 5.5 per cent from 5 per cent flies in the face of IMF policy to relate quotas more closely to economic performance.

While there was no denying that France's economy has overtaken Britain's in size since the rankings in the Fund were fixed after the Second World War, it is open to doubt whether its share should have been increased so sharply in the face of claims from other rapidly growing nations such as South Korea that their economic weight is grossly under-represented in the IMF.

The settlement of the rankings issue called into question the IMF's prestige and status that was already looking tarnished because of the attitude of the US towards the Fund. The US is the IMF's biggest shareholder and has a blocking minority. But US budgetary problems mean that the days of largesse towards the Fund are over.

The way that the US crafted the plan to settle the arrears and its determination to link the issue to the quota increase saw the US Treasury extract the maximum advantage at the minimum cost to itself.

The linkage means that the quota increase could take an unusually long time to become effective. It involves an amendment to the Fund articles that needs the support of 85 per cent of the membership and parliamentary ratification in some countries.

Yet this victory for US diplomacy will cost Washington very little because it has made only a small contribution to the Enhanced Structural Adjustment Facility which will be used to finance assistance for countries "working out" their arrears.

In private conversations, European monetary officials lamented how the US assumes superpower status in the IMF without paying for it.

But short of the Soviet Union applying to join the IMF – an event which is increasingly considered a possibility – it is difficult to imagine anything that will change this state of affairs.

US vetoes increase for investment fund

By Peter Norman

THE US is hindering progress on increasing the resources of the International Finance Corporation, the World Bank affiliate that promotes private sector investment in developing countries, and may delay World Bank plans to create a special environmental fund.

In a meeting with journalists here, Mr Jürgen Warnke, the West German development aid minister, disclosed that the US said it is unable at this stage to contribute to a capital increase at the IFC.

The corporation, which is playing an increasingly important role in helping eastern European countries move to market based economic systems, is seeking to increase its capital to between \$2.3bn and \$2.6bn from \$1.3bn at present. This follows a rapid expansion of its operations at a 20 per cent annual rate in recent years under the leadership of Sir William Ryrie, a former British Treasury official.

The IFC doubled its profits in each of the last [illegible] years and in 1989 mobilised six-and-a-half times the volume of its own investments.

Mr Warnke said that the US decision, which appears to reflect budgetary constraints, could mean that the IFC will be unable to maintain its recent rapid growth, although he hoped for a change of mind by the time the IMF and World Bank hold their annual meetings in Washington in September. Under the constitution of the IFC all member countries must subscribe to capital increases which must be fully paid.

The US Government also refused to contribute to a proposed new \$1.2bn World Bank fund to help deal with cross border problems such as deforestation and climate change. The fund would be a pilot project, providing about \$400m annually over three years. According to Mr Warnke, the World Bank has calculated that such problems could require annual financing of between \$20bn and \$25bn.

France has already offered to pay FFr900m (£96.7m) into the fund while West Germany supports the idea. However, other countries including Britain have said that more work

Other countries including Britain say more work needs to be done

needs to be done before a decision is taken on whether to establish the fund. A communiqué issued after the meeting of the development committee of the World Bank and [illegible] witness to such reservations. A sentence urging the bank to "reinforce and expand its existing environmental programmes" was hastily amended with the words "and expand" being deleted from the final version.

However, the fund may still be established. Mr Warnke said that the industrialised countries needed to have such a project in hand in time for a large United Nations conference on the environment that will be held in Brasilia in 1992. He said that the fund could be established without US participation.

Debt relief plans may be widened

By Stephen Fidler, Euromarkets Correspondent

PROPOSALS to widen the principle of debt relief for some developing countries are destined for the agenda of the July world economic summit in Houston.

The proposals are likely to address the problems of so-called lower middle-income countries – such as Nigeria, the Ivory Coast and Gabon. These countries – whose debt is owed primarily to governments rather than banks – fall through the cracks of the present debt strategy.

They are not helped much by the Brady plan which is designed to lower the bank debt of middle-income countries. Neither are they poor enough to benefit from the so-called Toronto terms, agreed at the 1988 Toronto summit which alleviate modestly the official debt burdens of low-income countries.

According to Western officials, there was a clear recognition at the just completed spring meetings of the IMF and World Bank of the problems faced by the lower middle-income countries.

There also appeared to be a consensus in favour of further widening the Toronto terms to poor countries outside Africa. Already, a deal has been agreed on this basis for Bolivia by the Paris Club of Western governments.

Mr Barber Conable, president of the World Bank, told a news conference "it was entirely possible" that the debt issue would be discussed in Houston.

New debit card is dropped after anti-trust dispute

By David Barchard

MASTERCARD and Visa, the two main credit cards in North America, yesterday formally abandoned plans to launch a joint debit card called Entree by reaching an out-of-court settlement with the Attorneys General of 14 American states.

The deal halts a year-old lawsuit against Visa and Mastercard by the Attorneys General who alleged that Entree violated anti-trust laws and constituted a conspiracy to monopolise the US debit card business.

Entree, which deducts funds from the cardholder's bank account rather than a separate revolving credit account, had originally been intended to lead the way towards the development of a national debit card system for the US, enabling banks to set up their own electronic funds transfer at point of sale.

Entree was designed to overcome technical problems for card issuers and retailers arising from the the large numbers of retail banks in the US and the restriction on banks operating outside their own state.

Because of the controversy surrounding it, Entree had been more or less moribund since its launch, with many retailers refusing to accept it. It swiftly attracted unfavourable attention from officials in several states.

TV auction is planned for savings and loans properties

By Peter Riddell

ABOUT \$300m of properties of defunct savings and loans will be sold by a televised auction later this summer.

This follows a decision by the Resolution Trust Corporation (RTC), the main federal agency handling the rescue, to accelerate disposals by reducing prices if necessary.

Last year's rescue legislation prevents the agency from disposing of property for less than 95 per cent of the market value.

The latest decision in effect assumes that the market value is whatever price attracts buyers, rather than the price set by independent appraisers.

Under the new policy the RTC can cut a property's price by 15 per cent after six months from the sales price set by the appraiser. If the property still does not sell after three more months, the price can be cut another 5 per cent.

Mr William Seidman, the retiring head of RTC, said that the agency had "become convinced that holding on to the property is too expensive for the taxpayer". The RTC has amassed around \$18bn in property from failed savings and loans, of which \$2bn to \$3bn have so far been sold.

Its portfolio includes undeveloped desert land in Arizona as well as many empty and half-built office and residential projects, especially in Texas and the south-west.

UK NEWS

Hostages in Lebanon face 'long process' for initiatives on release

Government rejects Reed's claims

By Ivor Owen, Parliamentary Correspondent

MR WILLIAM Waldegrave, the Foreign Office Minister of State, yesterday rejected the view of Mr Frank Reed, the American hostage recently freed by a group of pro-Iranian kidnappers in Lebanon, that Britain had not been sufficiently active in seeking the release of its nationals.

He warned MPs in the House of Commons that there could be "a long process" when he was pressed about fresh initiatives to secure the release of British hostages held in the Lebanon.

While expressing sympathy for Mr Reed, who met relatives and supporters of the British hostages recently, Mr Hurd insisted: "He was not in a position to know anything about the efforts we have made on behalf of British hostages."

He was speaking after Mr Douglas Hurd, the Foreign and Commonwealth Secretary, stressed that Britain's policy on the hostages issue was on "all fours" with that of the US Government.

The Foreign Secretary was not challenged when he contended that the whole House was in agreement that the Government should do everything it could to bring about the release of the hostages short of making concessions or striking bargains with the kidnappers.

He emphasised: "That is because we want a safer world, and not a more dangerous world."

Mr Gerald Kaufman, foreign affairs spokesman of the opposition Labour Party, agreed that there should be no deals which either rewarded hostage-taking, or gave incentives to further hostage-taking.

He said that when the British people saw hostages of other nationalities being released they had every right to expect the release of British hostages as well.

Mr Hurd gave an assurance that constant efforts were being made to secure the release of the hostages.

He recalled that Iran broke off diplomatic relations with the UK over the Salman Rushdie affair, but made it clear that the possibility of direct talks with Iran had not been ruled out.

Mr Hurd reminded the House that Britain broke off diplomatic relations with Syria over the issue of state-supported terrorism – an issue which remained unsolved.

He confirmed that Britain had had indirect contacts with Syria on behalf of the hostages.

Sir David Steel, foreign affairs spokesman for the Liberal Democrats, urged Mr Hurd to consider the reopening of diplomatic links with Libya as well as Syria in view of the recognition other governments have given to their role in securing recent hostage releases.

Committee suspends Iraqi 'gun' inquiry

By Ralph Atkins

A HOUSE of Commons select committee yesterday suspended its investigation into the Iraqi "gun" affair until legal proceedings have finished.

The Trade and Industry Committee said criminal cases and the legal position of individuals could be adversely affected by a public inquiry.

The committee ruled out a private investigation because there were "serious matters involved which require proper and open parliamentary scrutiny". Its inquiry followed allegations that British companies exported tubes to Iraq in breach of export controls after receiving advice from the Department of Trade and Industry.

A proposal to continue the inquiry by requesting written evidence from the Department of Trade and Industry on procedures for handling export licences was defeated by five votes to four.

● Colleagues of a British truck driver held for more than two weeks in a Greek jail over the Iraqi "gun" affair are threatening a two-hour protest blockade of UK roads within the next few days in an attempt to secure his release writes *Jimmy Burns*.

Organisers of the threatened action want to put pressure on the UK government to intervene more forcefully in the case of the truck driver, Mr Paul Ashwell. He was arrested transporting steel tubing believed to be intended as parts of a giant gun.

International equities recover from 1987 crash

By Deborah Hargreaves

THE market for international equities recovered to \$14.9bn (£8.86bn) last year as it shook off the effects of the 1987 stock market crash which depressed volume in 1988, according to a review of the market in the Bank of England's quarterly bulletin.

The value of international equity offerings remained low in 1988 at \$9bn. One of the reasons for a rise in international share placements last year was the increase in privatisation issues. European companies have also taken advantage of rapidly rising equity prices to broaden and strengthen their shareholder base and to seek the best available pricing for their equity.

International equity offerings are increasingly structured with international investors in mind, though they are still undertaken as part of standard domestic issues. *Many issues are made to overcome the constraints of small domestic markets.*

The Bank of England's review points to the different settlement procedures of the leading exchanges as factors which may represent barriers to the expansion of cross-border equity trading.

B&C lenders face write-downs

By Richard Waters and Terry Dodsworth

BANKS and some of the other lenders to British & Commonwealth, the troubled financial services group, face write-downs totalling £175m if they accept a rescue plan being circulated among the group's main creditors.

Other lenders are also being asked to take big losses on their investments in B&C, although not as large as the 25 per cent write-downs proposed for the banks and some loan stock and bond holders.

The proposals are in a draft reorganisation plan circulated by S G Warburg, the merchant bank appointed by B&C following its £550m provision against losses at its Atlantic Computers subsidiary, which threatens the solvency of the group.

Warburg is understood to have suggested a break-up of the group over the next three years to raise money for creditors who have lent about £1bn.

The largest group of lenders, with £700m outstanding, has been asked to take the 25 per cent write-down. This is likely to lead to a battle between creditors.

The banks seem prepared to write-down their B&C debt, but on condition part of is converted into preference shares.

David Owen writes: Yesterday saw the creation of a shareholder action group, formed after a meeting of 60 of B&C's 26,000 or so ordinary shareholders, at the New Connaught Rooms, London.

FT receives awards

The International edition of the Financial Times, printed in West Germany, France and the US, was yesterday named business journal of the year in the Wincott Foundation awards.

The awards were presented at a ceremony at the Mansion House, London. Mr Alexander Nicoll, the FT's international edition editor, received the award from Mrs Joyce Wincott with the editor of the Financial Times Sir Geoffrey Owen (left) and Mr Mike Morgan, international edition production editor (right). Mr Martin Wolf, chief leader writer of the Financial Times, and Mr Christopher Huhne, economics editor of the Independent on Sunday, shared this year's senior award for excellence in financial writing.

Oil riggers work to rule

ABOUT 3,000 offshore contract workers are working to rule in the North Sea over a demand for union recognition, with action spreading, union representatives said yesterday.

This was disputed by the UK Offshore Operators Association, which represents all the companies operating fields in the North Sea. It said action was fairly limited. About 30,000 people work offshore of which an estimated 70 per cent are contract workers.

The dispute with the six unions dates back to January with members offshore seeking to gain joint union recognition by all the contracting companies operating in the North Sea and and an annual comprehensive review of pay and conditions for all the unions.

INVESTISSEMENTS ATLANTIQUES
Société Anonyme d'Investissement
Registered Office: Luxembourg, 14, rue Aldringen
Comercial Register: Luxembourg Section B 8.722

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of INVESTISSEMENTS ATLANTIQUES S.A. will be held at its registered office at Luxembourg, 14 rue Aldringen, on May 18th, 1990 at 14.00 hours, for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   a) the management report of the directors
   b) the report of the auditor.

2. To approve the balance sheet and the profit and loss account for the year ended December 31st, 1989.

3. Allocation of profit.

4. To discharge the directors and the auditor with respect of their performance of duties during the year ended December 31st 1989.

5. To elect the directors to serve until the next annual general meeting of shareholders, and to propose Mr. William REED, fondé de pouvoir at the Banque Générale du Luxembourg, as a new director of the board in replacement of Mr. Claude AREND who resigned.

6. To elect the auditor to serve until the next annual general meeting of shareholders.

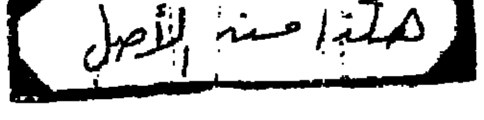
7. Any other business.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of May 18th, 1990, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank:

- Banque Générale du Luxembourg S.A., 14, rue Aldringen, Luxembourg.

The Board of Directors



NOTICE
of Meeting of the Holders of Provinsbanken A/S ECU 30,000,000 7¼% Bonds due 1993

A meeting of Holders of Provinsbanken A/S ECU 30,000,000 7¼% Bonds due 1993 will be held at the office of Banque Paribas *Luxembourg, 10A Boulevard Royal, Luxembourg*, on May 28, 1990 at 10.00 a.m. to deliberate on the following agenda in order to confirm to item 10V of the terms and conditions *of the Bonds*.

AGENDA

Approval by the Extraordinary Meeting of the Bondholders to the merger of Provinsbanken A/S with Den Danske Bank of 1871 Aktieselskab and Copenhagen Handlsbank A/S under the name of Den Danske Bank Aksieselskab, assuming all the rights and obligations of Provinsbanken A/S.

Resolutions on the agenda of the Meeting will require that at any such meeting two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding shall form a quorum for the transaction of business and no business (other than the choosing of the chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.

Should such quorum not be reached, a second meeting would then be convened. At such adjourned Meeting two or more persons present in person holding Bonds or voting certificates or being proxies (whatever the principal amount of the Bonds so held or represented) shall form a quorum and shall have the power to pass any resolution and to decide upon all matter which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting.

For the purpose of obtaining voting certificates or appointing proxies, the holders are required to deposit thier Bonds at the *latest three business days prior to the meeting at the offices of* Den Danske Bank Aktieselskab, or at the above mentioned office of Banque Paribas Luxembourg.

Proxies should be lodged with Den Danske Bank Aktieselskab, or Banque Paribas Luxembourg three business days before the Meeting.

The Board of Management

Former Moscow envoy attacks Government

Sir Bryan Cartledge: "Russian studies inadequate"

A FORMER British Ambassador to the Soviet Union yesterday attacked the Government for failing to provide adequate resources for promoting exports and business contacts with the Soviet Union and Eastern Europe and for studies of these countries and their languages writes Robert Mauthner.

Sir Bryan Cartledge, Principal of Linacre College, Oxford, said in a lecture delivered at the Royal Institute of International Affairs in London, that exporting to the Soviet Union and Eastern Europe would become more difficult during a transitional period in which the old structures were dismantled, but had not been replaced by new methods and institutions.

He said it was disappointing that Eastern Europe, including the Soviet Union, ranked only 7th in the British Overseas Trade Board's list of priorities in its latest forward plan.

"It is precisely in conditions of change and confusion such as currently obtain in the Soviet Union that exporters most need official advice and governmental assistance," Sir Bryan said. "If this is not increased to keep pace with the growth of opportunities, British companies will be disadvantaged."

Sir Bryan also underlined the findings of the Wooding Commission, of which he was a member, that the *provision for* Russian and East European studies in the UK was "seriously inadequate" to meet greatly increased student demand or the national need.

A number of detailed recommendations by the Commission on ways in which research and lectureships for the revival of Russian teaching could be funded, were *still waiting to be* implemented. They would cost £9m, but spread over 14 years they would never exceed £1m in any one year.

There was no way in which the establishment of a secure foundation for Russian and East European studies could be met from existing funding.

European car policy comes under scrutiny

The inquiry on vehicle pricing may find EC rules ineffective, writes John Griffiths

YESTERDAY'S referral of new car prices in Britain to the monopolies watchdog, the Monopolies and Mergers Commission, marks the return of a five-year-old bad dream to haunt motor manufacturers and dealers.

It is certain to generate a major new wave of suspicion and *cynicism among British* consumers – and not just about the prices they are *charged both for cars and the* parts which keep them on the road.

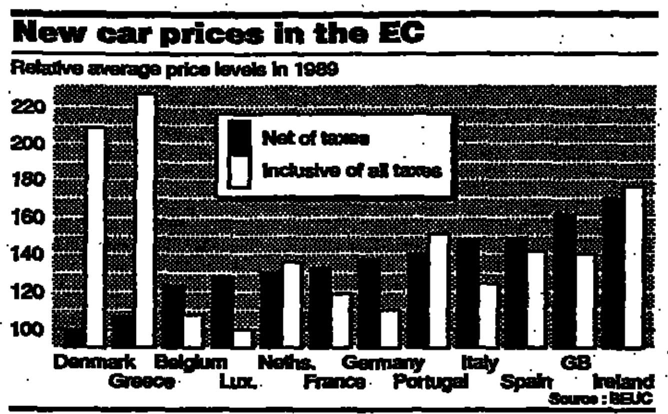
The *announcement* of the referral by Sir John Borrie, Director General of Fair Trading, must also cast renewed doubt on the efficacy of the European Community rules put in place at the end of 1984 and which were aimed at protecting consumers' interests.

Inevitably, too, it will inject a new and controversial element into the discussions about how cars should be sold in the EC when the partial exemption of the motor trade from Treaty of Rome competition rules comes to an end in June, 1995.

Consumers associations, not least the Brussels-based *Bureau Europeennes des unions de consommateurs*, waged a major publicity war in the early to mid-1980s.

Their aim was to convince motorists in the UK and some other Community countries that they were being charged much higher prices than were warranted by manufacturers taking advantage of outdated customs, practices and perceptions of "what the market will bear".

New car prices in the EC



They were being helped in keeping prices high, argued the consumer groups, by such factors as restrictions on Japanese car imports in some markets (to a ceiling of 11 per cent of total new car sales in the UK) and the refusal of dealers – under pressure from their vehicle suppliers – in countries where cars were cheap to supply them to motorists wanting to import them into high-priced markets.

The manufacturers fought, over several years, a fierce rearguard action in which they claimed that cross-border price differentials were much less than the consumer groups claimed.

Differential taxation regimes, exchange rate variations, and even the existence of different specifications in individual markets for vehicles with the same names, were all arguments brought into play by the manufacturers in an effort to convince buyers that no "rip-offs" were at work.

The manufacturers were particularly concerned because they wanted to stem the tide of "grey" imports' to the UK which they saw as undermining their profitability: between 1980 and and 1985 about 200,000 cars were estimated to have been brought into the UK by buyers taking advantage of cheaper Continental prices.

Neither side was wholly successful in its arguments, the eventual outcome being the regulatory framework for car distribution now in existence throughout the Community today – and which is now likely to be called sharply into question.

The compromise reached at the time by the EC's Competitions Department took the form of the Block Exemption Regulation, which became effective in November, 1984.

Under it, the motor trade and industry was exempted from Treaty of Rome rules requiring that individuals *should be allowed to buy goods* freely from whoever and wherever they wanted.

They were allowed to retain the system of exclusive franchises between manufacturers and dealers – known as selective distribution – on the basis that motor vehicles are complex products, requiring sophisticated after-sales care, and that it was actually beneficial to consumers for the system to stay in place.

However, the regulations also insisted that manufacturers make available to dealers vehicles similar to those the dealer normally sold, but with the specification of another Community country.

In UK terms, this has meant the provision of right hand drive cars to any British driver who wants one to buy one in, say, Belgium or Luxembourg.

But it is the apparent inefficacy of one of the key ingredients *in the compromise*, that EC new car prices should move only within a predetermined *band much like the currency* "snake", that has primarily triggered this latest controversy.

The rules which still stand provide for an inquiry to be triggered *automatically* if prices vary by more than 18 per cent for a short period, or by more *than 12 per cent over* a period of a year or more.

Of some help to the manu*facturers is another provision* that excludes from the snake those markets where govern*ment taxation levels are atypi*cally high.

Notably, this includes Denmark – where taxes increase base vehicle prices by 109 per cent – and Greece.

The arguments being voiced by consumers groups, and the BEUC in particular, is that prices have demonstrably not remained within the guidelines (see chart), and that there seems to have been little or no action by Brussels to seek compliance. A study undertaken by the BEUC for the Directorate-General for consumer protection in Brussels late last year concludes that average differences in pre-tax price levels for new cars in the EC "are back up, after a long period where they narrowed".

"The average difference between Belgium and the UK of 52 per cent in 1981, had narrowed to 19 per cent in 1987. In 1989 it has widened to 31 per cent.

"More than ever there is room for a permanent market *in parallel imports*".

Committee calls for increases in education spending

By Norma Cohen

A HOUSE of Commons committee led by the ruling Conservative Party yesterday called for a substantial increase in education spending to combat teacher shortages, with teachers in specific subjects to be paid according to a higher scale.

The controversial report had been delayed for months by political maneouvering and is likely to embarrass the Government which has sought to minimise teacher shortages and to cap spending.

Yesterday, the four opposition Labour party members said they had voted against the report, in part as a protest against constant unacceptable pressure applied by government officials. *They also said* they were sceptical about whether the Government is willing to allocate *funds* needed to implement the reports' recommendations.

Committee Chairman Mr John Thornton MP said yesterday that it would be impossi*ble to carry out the govern*ment's education reforms without higher spending. "If the Government wants to carry out its reforms, and clearly it does, then the resources will have to be found," he said.

The report did not attempt to estimate the extent of teacher shortages, but noted that the Government's own figures estimate that an additional 29,500 teachers will be needed by 1995 to implement the national curriculum and to meet an expanding school-age population. This would cost about £400m per year, assuming no increase in salaries.

Among the report's main recommendations is that teachers in shortage subjects – defined as maths, science and computing – be paid on a higher pay scale. The recommendation was criticised by the two largest teaching unions, the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers. The report acknowledged the case for a general rise in teacher pay.

UK NEWS

BRITAIN IN BRIEF

S Koreans invest in audio plant

Inkel, the South Korean manufacturer of audio equipment, is to set up a factory in the North East of England to provide a base from which to export automobile stereo systems to continental Europe.

The new plant, which involves a total investment of about £3m, is the third Korean operation in the region and the fifth Korean greenfield investment in the UK.

The announcement coincided with a visit to Seoul by Mr Nicholas Ridley, the secretary of state for trade and industry. In addition to promoting Korean direct investment in the UK, he is discussing a series of trade issues including the protection of intellectual property rights, the reduction of taxes and barriers to imports of scotch whisky and the liberalisation of Korea's capital markets.

Inkel's announcement also coincides with a decision by the European Commission to investigate alleged dumping of car radios in the European Market by Korean companies. European markets account for nearly a third of Inkel's output.

Borrowing rises fourfold

Personal borrowing in the UK, excluding mortgages and fuel bills, has risen nearly fourfold in the last 10 years, the National Consumer Council says in a report on credit and debt published today.

The report says personal borrowing was £11bn in 1980 and is now well over £43bn. It says people are relying on future income to pay for what they want now.

The NCC says: "The more people earn, the more likely they are to use credit – but it is the poorest who are more likely to have insurmountable problems paying what they owe."

New phase for Democrats

Last week's local election results, where the Liberal Democrats gained around 18% of the vote, marked the start of a new phase for the party, Mr Paddy Ashdown, the Democrats' leader, said yesterday.

"We must be much more positive and aggressive in selling our message to the public and playing through our policies more strongly," he said.

Ashdown: new message

Now that the phase of repairing "terrible damage we did to the party and its image" was over, the party's good performances in the London boroughs of Richmond, Sutton and Tower Hamlets would be used as a "role model" for elsewhere.

He said that the party would build on those successes which were based on providing quality services and devolving power. The approach would concentrate on the voter as consumer and as citizen.

Toxic waste build up

A survey for the Department of the Environment has disclosed widespread problems of toxic waste leaks and the build up of explosive methane gas at waste sites in England and Wales.

It also shows that little is being done to monitor the sites to find out which of them are in a dangerous condition.

Yesterday Friends of the Earth, the environmental organisation which obtained a copy of the report, called for a national monitoring system of landfill sites to be set up by the Government.

The study, conducted by consultants Mr Barry Croft and Mr David Campbell, covered 100 landfill sites dealing with 13m tons of rubbish a year.

First shots in by-election

The opposition Labour Party and the Conservatives fired the opening shots in a by-election in Bootle, north-west England, yesterday with Mr Roy Hattersley, *deputy opposition* leader, saying the seat would be fought as if it were a marginal.

Speaking in the Merseyside constituency, Mr Hattersley predicted Labour would win with a "very substantial majority". The challenge was for Mr Mike Carr, Labour's candidate, to produce a result which would prove the party was "surging ahead all over the country".

The contest was caused by the death of Mr Allan Roberts, the Labour MP who in the 1987 election had a majority of 24,477.

New business computer

Research Machines of Oxford, which claims to be the UK's largest independent personal computer manufacturer, yesterday announced a new microcomputer designed to *provide computing* power *for* a network of personal computers for small and medium sized businesses.

It is based on the fastest available conventional microprocessor, the Intel 80/486, and uses the Unix operating system, which is becoming the industry standard.

Survey on Leukaemia

A national survey suggests that leukaemia is more common in Britain than was previously supposed from official medical statistics, although it remains a very rare disease.

The Leukaemia Research Fund, a London-based cancer charity, believes there may be as many as 3,600 new cases of the disease each year in England and Wales, some 60 per cent more than government figures suggest.

The geographical distribution of the disease also varies widely, with a strikingly high rate for Somerset.

The small Somerset town of Yeovil has the highest incidence of chronic lymphoid leukaemia and acute myeloid leukaemia of any community in England or Wales.

Kinnock praises press

Mr Neil Kinnock, the Labour Party leader, yesterday praised local and regional newspapers for their diversity, dependability and their lack of pomposity.

Local newspapers upheld C.P.Scott's maxim that " comment is free but facts are sacred " to a greater extent than many national newspapers.

Kinnock: "facts are sacred"

The Labour leader was speaking at the British Regional Press Awards organised by UK Press Gazette and sponsored by the Post Office where the Sheffield Star won the top award for its coverage of the Hillsborough football disaster and also won the production award.

Sea rescue

Three badly-burned seamen were rescued after an explosion on a bulk ore carrier 60 miles south west of Land's End yesterday, according to coastguard reports.

The injured crewmen from the Taiwanese-owned Trave Ore were flown to hospital in Plymouth, Devon.

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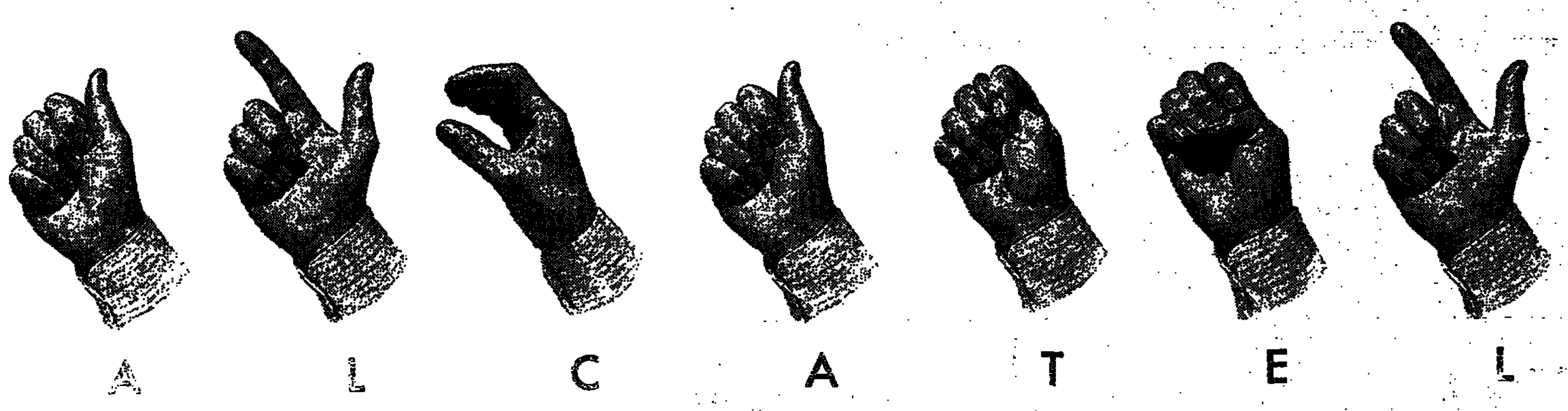

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BUSINESS LAW

Straitjacket for the water industry?

By John Cook

EARLY in January last year, Mr Nicholas Ridley, then Secretary of State for the Environment, gave notice that he would be introducing special merger controls into the Water Bill which had by then already begun its passage through Parliament.

The controls would apply to mergers initiated after his announcement, but their precise nature became apparent only when appropriate clauses were introduced into the Water Bill in late February last year.

They reflect the fact that the supply of water is a natural monopoly and that the proxy for true competition – "yardstick" competition – created by the regulatory regime is dependent upon the Director General for Water Services (DGWS) continuing to have data available from as many water undertakings under independent control as possible ("the independent control principle").

At the end of last month the first report of the Monopolies and Mergers Commission (MMC) under the new controls was published. It dealt with the proposed merger between Lee Valley, a subsidiary of Compagnie Générale des Eaux, Colne Valley and Rickmansworth water companies.

The Three Valleys proposals, as they came to be known, were first announced in July last year and were referred to the MMC by Mr Ridley, by then Trade and Industry Secretary, in September.

The report gives little comfort for those contemplating mergers within the water industry, and highlights the complexity and uncertainty at this stage surrounding a number of important aspects of the regulatory regime introduced in the Water Act.

The MMC concluded that the Three Valleys proposals might be expected to operate against the public interest but only because, in the MMC's view, they failed to guarantee that all savings realised through the merger would be passed on to consumers in lower charges.

The MMC went on to recommend that the merger could proceed, provided that the parties were able to give satisfactory assurances that their consumers would benefit fully and quickly from the merger.

However, even this conditional clearance was called into question by the DTI press release which accompanied publication of the report.

Mr Ridley took the unusual step of publicly questioning the MMC's conclusion that the cost savings identified were sufficiently substantial to outweigh the loss of comparative information available to the DGWS.

He has asked the DGWS to have further discussions with the companies and to report to him within three months. The saga continues.

The merger controls in the Water Act are unique, even among recent privatisations, and in marked contrast to the general merger controls in the Fair Trading Act 1973.

The Water Act allows the Secretary of State no discretion as to whether to refer a qualifying merger to the MMC for investigation. Reference is mandatory.

More importantly, the public interest test which the MMC is required to apply, in practice, creates a strong presumption against any merger between water enterprises compared with the neutrality of the Fair Trading Act.

Several pages of the MMC's report are taken up with analysis of exactly what kind of public interest test the Water Act has established. One thing is clear: it is very different from that with which the MMC is familiar.

Under the Fair Trading Act the public interest is at large, but factors such as competition, consumer choice and efficiency are highlighted, and, in practice, the MMC focuses on the effects of a merger on competition in the UK.

By contrast, if a water merger under review prejudices the ability of the DGWS to make comparisons between different water enterprises, the Water Act prevents the MMC from taking into account "any other purpose" in judging the public interest.

It may only take account of another purpose if it is satisfied either that the other purpose can be achieved without detriment to the "independent control principle", or that it is "of substantially greater significance in relation to the public interest" than preservation of the principle.

This test places a very considerable burden on those seeking to justify a water merger, and the first report of the MMC demonstrates just how difficult that burden is to discharge.

However, the public interest test in the Water Act, though lamentably unclear, is not as odd as it might seem at first blush. "Yardstick" competition, established through the K formula for setting water charges, is designed to mimic the operation of the competitive market absent among the natural monopolies of water supply.

The controls over water mergers seek to protect "yardstick" competition just as general merger control seeks to protect the structure of truly competitive markets.

The companies involved in the Three Valleys proposals identified, with some precision, some £50m-£60m of cost savings achievable through the merger. As a result water charges were expected to be at least six per cent lower than they otherwise would have been at the end of a 10-year period following the merger.

Interestingly, the MMC regarded this level of saving as sufficiently substantial to outweigh the loss of comparative data suffered by the DGWS as a result of the merger and to tip the balance weighted against mergers between water companies in favour of the Three Valleys proposals.

This assessment is of limited value as a precedent, however, since the MMC was unable to quantify the detriment suffered by the DGWS.

Not surprisingly, the MMC was unwilling to sacrifice quantifiable benefits for consumers of the three companies in favour of "future theoretical benefit" for consumers generally, which the DGWS argued would result from maintaining the three companies as separate sources of data.

A bird in the hand is worth two which have yet to emerge from the tangled undergrowth of the regulatory processes in the Water Act.

However, the MMC refused to clear the merger outright on the ground that the proposals failed to guarantee consumers all the benefits of the cost savings within the near future.

The regulatory framework, acting as a surrogate for a competitive market place, has been designed to ensure that consumers obtain good-quality water at reasonable prices while not deterring investors. This, in turn, is the key to the political success of water privatisation.

The MMC's task under the Water Act is to act as the guardian of "yardstick" competition and, as such, it occupies a more apparently political role than usual, as demonstrated in its decision that consumers in the Three Valleys area should not forego lower water charges in favour of consumers throughout England and Wales. It is therefore doubly unfortunate that the MMC should find itself applying merger controls which are so opaque.

As regards such a key element as the test for determining what constitutes a loss of independent control, the MMC, even after a special legal hearing and leading counsel's advice, was left with conflicting interpretations both of which it regarded as "tenable and capable of being argued effectively". Not surprisingly it opted for the one which gave the controls a wider ambit.

The MMC report into the Three Valleys proposals demonstrates that the merger controls in the Water Act may constitute a more effective deterrent to takeover activity than the golden shares held by the Government, particularly after its decision in the case of Jaguar.

The publication of the report has already had an effect on share prices. The controls, aimed at preventing concentration, distort the market for control of water companies by favouring bids from companies without interests in the water industry.

Such bids fall to be investigated, if at all, under the more benign Fair Trading Act regime. On the other hand, mergers between the larger water enterprises are subject to mandatory reference under the Water Act, with its much stricter test for clearance.

Successful and efficient water companies may be deterred from seeking to acquire their less successful counterparts, and applying their greater expertise.

The concept of "inset appointments" is unlikely to introduce effective competition into the industry, as the report recognises.

The author is a partner of City solicitors Norton Rose.

MANAGEMENT: Marketing and Advertising

UK electric cookers

Helping the Baby grow up

Clay Harris explains the rationale behind Belling's imminent campaign

Belling & Company has been making electric cookers on the same site in Enfield, north London, for more than 60 years. Its best-known product, the counter-top Baby Belling with two rings and a grill, is a standard fixture of bed-sitting rooms.

Despite this humble heritage, Belling is one of three companies which dominate the UK electric cooker market, together accounting for 85 per cent of sales of stand-alone appliances.

The others, Tricity and Creda, are owned by multinational giants, Electrolux and General Electric Company respectively, each with annual sales approaching £8bn.

Belling, at present narrowly the market leader, is in a different league. It is a one-sector specialist with sales last year of only £60m. It has not spent a pound on advertising since the early 1980s.

That is about to change. Belling has appointed J Walter Thompson to ascertain the most effective way to advertise. The company has also focused on design as the best way to differentiate its products, says marketing manager Andrew Smith, "not only from everything else in the market-place, but also from what has gone before."

Change was forced on Belling because its main competitors were bought by huge companies with global horizons and few of the financial constraints which fettered a small privately owned company. Moreover, one of Belling's main markets, the electricity board showrooms which account for 60 per cent of its sales, were being shaken up before privatisation.

Richard Belling, nephew of the company's founder, began three years ago to bring in a new generation of executive directors with broad outside experience. He stepped down as chief executive, but remained as chairman.

Then the company launched a strategic review of its *raison d'être*. Belling's strength, it concluded, was that it was focused on a single business – cooking – and did everything – administration, research, manufacture – on one site.

It then looked long and hard at its main market – free-standing and slot-in electric cookers. Belling decided it could not afford to forgo any sale just because it lacked a model at a certain price or with certain features. Spotting two such gaps in its product range, it filled them.

More important, it needed to convince customers to buy cookers more often. "The replacement cycle is 15 years," says Simon Turner, commercial director. "Strategically, we need to drive that down."

A complete rethink of the company's design image was the answer. For the first time in a decade, Belling looked outside for advice. Its telling choice was Paul Priestman, one of the brightest lights in UK industrial design.

"We wanted to know what were the real design trends long term – outside the UK and outside the cooker industry," says Turner. Smith notes: "If we tool up for a new range of cookers, that line has to last for six years minimum."

Since Priestman, who is still in his 20s, helped to establish his credentials by manufacturing convector heaters of his own design, Belling came to the right place. "We design in a way that can be manufactured," Priestman says.

One Priestman-designed cooker requires only 180 components against 320 in the model it replaces. Moreover, pressed steel side panels are both more rigid and more attractive on the showroom floor (they are hidden when slotted into a kitchen.)

Most of the Priestman lines for Belling have a 1950s feel, white and with curved lines, although this retro look is intended to be timeless. Knobs are pointed at one end, and perceptibly click from one setting to another.

Although it has budget ranges, Belling is aiming especially to increase sales to prosperous prime-of-life consumers, old enough to remember the 1950s – just. Belling's average price for cookers of £460 is already well above the overall UK figure of £349.

The Priestman cookers are now on display in the Design Museum's review gallery. By the middle of 1991, Belling intends to have replaced 70 to 80 per cent of its cooker range with models designed by Priestman Associates. By then, its advertising campaign should be in full swing.

JWT was appointed in January. Its initial task is to study the buying process and how advertising works in the appliance market. Unlike rivals with deep pockets and a broad range of appliances to benefit from the "halo effect" of brand advertising, Belling will have to target its message carefully and effectively.

The company is already a household name. Andrew Robertson, group director at JWT, says: "Belling is acknowledged to be a British company which produces robust, high quality cookers." But balancing the positive images are negative connotations: old-fashioned and dull, too identified with the Baby Belling. "What we've got to do is exploit some and change the others."

Andrew Smith (left) and Paul Priestman at the Boilerhouse gallery: cookers are designed to be timeless

Belling is now committed to advertising. "We recognise the value of the brand but also the need to re-invest in it," says Turner. Robertson believes that Belling did not suffer much from its seven years without advertising because its rivals were not advertising effectively either.

Both men are keen not to prejudge JWT's research, but their instinctive view is that Belling must be established in the consumer's mind long before a purchase is planned.

"Belling's reputation has to become very familiar even to people who are not going to buy a cooker for seven years," says Robertson. As a result, the eventual campaign will be "intrusive and focused" and "highly visible." No longer a baby, Belling will soon be both seen and heard.

A British perception of commercials

Back in the 1950s popular perceptions of the advertising industry were dominated by Vance Packard's book, The Hidden Persuaders, and its image of advertising agencies as Machiavellian manipulators pumping out propaganda to impressionable consumers.

Commercial television was then in its infancy in Britain. Families gathered around their TV sets to gaze goggle-eyed at simpering celebrities plugging the virtues of various products in the commercial breaks.

Those days are over. The average consumer has become blasé; he or she now watches almost 30 hours of television and sees up to 200 commercials every week. The TV set – and the commercial – are part and parcel of everyday life.

Leo Burnett, the London ad agency, set out to discover how this exposure to commercials has affected attitudes to advertising. It commissioned a study from The Research Business to analyse how well consumers understand the aims and techniques of advertising.

The study required 50 British families to fill in a diary for three weeks last autumn in which they jotted down their opinions of any commercials which – for good or bad reasons – had made an impression on them. The Research Business also organised an identical study of 30 people professionally involved with marketing.

One of the most notable conclusions is how difficult it is for commercials to attract people's attention. Typically the participants considered just eight commercials to be worthy of note. Yet, on average, they are likely to have seen anything between 180 and 200 every week in the period.

The women tended to comment on more ads than the men. The professional marketing people were less perceptive than the 50 families. They commented on an average of just three commercials, possibly because they had less time for viewing.

The most popular ads tended to be humorous take-offs of television programmes. These included Leeds Building Society commercials featuring George Cole – the actor who played Arthur Daley in Minder – and a Carling Black Label lager ad which sent up the Treasure Hunt television series.

Subtle, or sophisticated, commercials were also popular. The participants responded favourably to campaigns – like the "Eau" advertising for Perrier mineral water and the "soap opera" ads for Oxo stock cubes – which they considered to be unusual or challenging. The least popular were hard-sell campaigns and pompous ads that patronised the consumer.

The consumers were also asked to analyse the objectives of the commercials. Most could not only identify exactly what the advertising agencies were setting out to say, but also how they were trying to say it.

Leo Burnett, like most other large agencies, conducts on-going research into consumers' response to its advertising. Alan Setford, the agency's planning director, says that although this research had shown that consumers were much more sophisticated in their understanding of the advertising process, he had been surprised by the "real depth of knowledge" and "sensitivity" displayed.

The participants were able to identify a campaign's strategy. They could also work out whether it was emphasising the functional aspects of a product or the difference between one product and its competitors.

They used the same sort of language as marketing professionals in their analysis, showing how advertising jargon has slipped into the vernacular. Their comments were peppered with words like "promote", "demonstrate" and "image". They talked in terms of "awareness of a new brand" and "a send-up of nostalgia commercials".

Similarly the consumers were very perceptive about the technical aspects of advertising. They were critical of cheap sets and poor acting. They complimented ads with lavish production budgets for using "a variety of camera angles" and being "well edited".

Setford believes that the study proves that consumers have reached a new level of understanding about advertising. This, he says, intensifies the pressure for commercials to be "challenging, intriguing and surprising to the viewer, but also relevant and above all credible."

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Alice Rawsthorn

A serious giggle for the goggle-eyed

Philip Rawstorne on marketing opportunities afforded by ITV's Telethon

Many British public companies, from financial services to consumer goods, now regard support for community and charitable projects as an essential part of their business.

NatWest bank, for instance, will be giving £14m to a variety of causes this year in recognition of its "responsibilities for the well-being and stability of the community."

But one day in the year is becoming a kind of national festival of corporate and community fund raising. This is the 24-hour ITV Telethon, to be held this year on May 27-28.

The show, broadcast in all 15 ITV regions, aims to make fund-raising fun. It features sponsored events from swimming marathons to supermarket trolley races. People wearing blue ears will perform all kinds of daft stunts.

Last year, 35m viewers tuned in. In the last hour of the show, 5m of them rushed to telephone their pledges of contributions to a total of £23m. The money was all channelled back into projects in the regions in which it was raised.

"It is an opportunity for companies not only to do good, but to be seen doing good," says Diane Potter, executive producer. The programme is, therefore, becoming an attractive marketing medium – a means of improving corporate image and brand promotion.

Sheila Underwood, community affairs manager for Safeway, the supermarket chain, for instance, aims to double last year's £150,000 contribution by involving staff and customers in a series of events in different areas. "The television coverage raises awareness of the company and generates a positive response," she says. "It is very easy for supermarkets to be seen as just taking money at the checkout. This shows that we want to be part of the local community, that we care about it, and that we want to help it in as many ways as we can."

The opportunity is also being used to promote Safeway's own-label soft grain bread. The store is guaranteeing a £25,000 contribution from donations linked to sales.

Bill Brodie, managing director of Premier Brands' beverage products, is devoting 10 per cent of his marketing budget this year to Telethon.

The company has organised a sponsored swimming marathon, which began in March and involves some 11,000 swimmers at 120 pools across the country. The first 2,000 swimmers have already raised £250,000. "Our people enjoy getting involved, and it fosters a good community spirit within the company," says Brodie.

But for Premier, Telethon is more important as a means of promoting its chocolate drink brand, Cadbury's Chocolate Break. "The event links us to leisure centres, an important market for our products," he says. "It involves us with people of all ages, taking part in a popular activity throughout the country. It is an effective way of reaching those people – and there are a lot of them – who do not watch television advertising."

Burger King, the fast food chain, will be selling Telethon's blue ears – an idea adapted from Comic Relief's red nose – in its 100 UK restaurants.

"We are doing it because it's a bit of fun," says marketing director, David Richards. But it is serious, too, because Burger King is trying to build itself into a national brand, and the 19-40 age group which is its target market will form a large slice of the Telethon audience.

The combination of altruism and advertisement, corporate image and corporate responsibility, is proving a potent attraction to many others.

The London stock exchange is giving 1p for every 50 shares and every 1,000 gilts traded on the day; Abbey National, Our Price, and W H Smith are planning collections.

British Telecom is organising the 3,500 telephone lines for accepting pledges from the programme's viewers.

In an exercise that will cost an estimated £590,000, NatWest, one of the first of Telethon's supporters, is manning 41 centres with 5,000 volunteers from its staff to handle contributions. "Our staff enjoy being involved with an event which generates such obvious benefits for national and local charities," says Tom Frost, NatWest chief executive.

CINEMA

Turtle mania is hard to match

NEW AMERICAN FILMS

PRETTY WOMAN
Garry Marshall

JOHNNY HANDSOME
Walter Hill

LEVIATHAN
George Cosmatos

Spring, when Hollywood recuperates from the Oscars and the land burgeons with low-budget oddities and sleepers, is a fine time to cross the Atlantic and see the new films. Having just done so, I must report a remarkable fact. The place has gone limey-mad. Britain has a finger in almost every movie pie on offer, and in the case of at least one pie it has withdrawn a very lucrative finger indeed.

We speak of *Teenage Mutant Ninja Turtles*. Directed by Britain's Steve Barron, this is the most unstoppable box-office performer since *Batman*. Shattering records, Barron's creature fantasy with kung fu trimmings cost $10m to make and has already taken $100m in a mere month of business. (*Batman*'s $250m seems well in sight). Already popular in comic-strip and TV cartoon form, the "heroes in a half shell" now extract tidal waves of laughter and delight from audiences of (more or less) all ages.

The film is totally dotty. You must swallow cum *grano salis* the premise that four baby turtles affected by radiation grew up to become semi-human Ninja warriors. They lurk in the New York sewers; they are brought up by a wise old rat; and they are involved in a long-running feud with a gang of Oriental thugs. They also eat pizzas, dance to rock music and speak as if reared on *Bill And Ted's Excellent Adventure*. ("Excellent!", "Righteous!", "Awesome!").

You cannot dislike a film so sumptuously daft and so insouciant in its implausibility. At the same time, you cannot but wonder at the mental age of modern America, when a movie which re-defines the concept of triviality holds an entire generation in its paw. Last year at Cannes the film was screened in the market and no one took a blind bit of notice. The more fools we. A modest sum placed on this horse at an early stage would have us all living now in luxurious retirement.

What else are the British contributing to American cinema? Well, we have Michael Caine as an unaccountably Bermondsey-accented businessman living and wife-murdering in New England. (Film, *A Shock To The System*). We have Jenny Seagrove starring as an English nanny in *The Guardian*, a spry supernatural screamer from director William Friedkin of *The Exorcist*. And our very own writer-director Harry Hook, who made the justly praised *The Kitchen Toto*, has now re-made *Lord Of The Flies* for Columbia Pictures with an all-American cast.

Well, sort of all-American. Britain's Bob Peck turns up as a rescuing marine in the last reel, sporting combat camouflage and a frightful US accent. Truth to tell, the Americanisation of Golding's novel does not work well. In the book and in Peter Brook's earlier film, there was a pointed irony in the spectacle of milk-fed scions of the English private school system turning into painted savages. Since there seems nothing remotely milk-fed about the American military school lads in this new film – beef-fed and belligerent to a boy – the transition to barbarity loses its shock value and its witty incongruity.

The film is also dully directed: as if Hook were caught rabbit-like in the glare of Hollywood attention and suddenly found himself robbed of the subtle, instinctive fluency he brought to *The Kitchen Toto*.

Of the new American movies with zero input from Great Britain, the alpha and omega are *Miami Blues* and *Joe The Volcano*. The first is a beautifully cross-grained crime thriller about a genial psychopath (Alec Baldwin) outwitting a blundering police detective (Fred Ward). Baldwin steals the show. Last seen as a CIA suit chasing Sean Connery across the Ocean in *The Hunt For Red October*, he here swaps goodie for baddie role and turns in a performance of glittering fun. This should prove as momentous a career move as Michael Douglas's leap from hero to villain in *Wall Street*, which won him an Oscar and a $5m asking fee.

John Patrick Shanley's *Joe Versus The Volcano* is a strange horse from the Spielberg production stable. Did we say horse? More shaggy dog. Tom Hanks is the Candide-like innocent who shakes off his soul-destroying job in a rubber goods factory to hop across the world towards self-immolation on a South Seas isle. Why? Because the natives need a human sacrifice to appease their local volcano and because Dr Robert Stack has told Hanks he has a terminal "brain cloud" and six months to live.

He should, as heroine Meg Ryan gently points out, have got a second opinion. But then we would have had no film. A mixed curse perhaps, since the film we have is whimsical, episodic and flatly acted by the normally bubbling Mr H. Even its moments of champagne enchantment – a giant moon, a raft made of travelling trunks, Miss Ryan – could not save it from early box-office demise in America. US filmgoers may be fooled by the odd ingratiating turtle but they seldom fail to recognise an outright, ill-disguised turkey.

★

The only serious competitor to our turtle friends in the box-office stakes out West is *Pretty Woman*. Fancy Julia Roberts as a Los Angeles prostitute dreaming of better things? Richard Gere certainly does. A business tycoon from the East Coast, he collects her from the sidewalk while seeking directions to a posh L.A. hotel and adopts her as companion-escort during a week of crucial business meetings. Two conditions. She must learn to speak proper, and she must swap her skimpy hooker's clothes for expensive gear from Rodeo Drive.

Pygmalion, please meet *Irma La Douce*. And who is making the introduction? Good heavens, none other than the Disney company, last seen making a film about a stripper (*Blaze*) and now devoting itself to a streetwalker. We had better put dear Walt on permanent revolve in his misnamed resting-place.

In fact the film, directed by Garry Marshall, is more innocent than its dramatis personae suggests. It is also blithely enjoyable, thanks mainly to Ms Roberts. The gorgeous Oscar nominee (*Steel Magnolias*) with the bee-stung lips pouts, purls and merry-makes all over the Beverly Wilshire furniture. She renders bearable even the winsome twist whereby Mr Gere, humanised by love, turns from a Wall Street shark into a cuddly and compassionate human being.

Mickey Rourke in *Johnny Handsome* turns from a nasty accident in the make-up department into Mickey Rourke. The titular Johnny is a petty crook afflicted with a disfiguring ugliness plus speech defect. Then lo! Arrested after a robbery in which his best friend is killed by treacherous cronies, he is given plastic surgery by a kindly scalpel-genius (*Birdy*'s Forest Whitaker). Will Mr Rourke's outer reformation be matched by an inner one? Keep watching.

Or not, as you wish. For myself, I kept wishing director Walter Hill (*48 Hours*, *Southern Comfort*) would use advanced surgery to remove the film from its casing of turgid stylistic cliché. Pursued by Ry Cooder's twangling musical laments, our hero gropes through an eternal night of film noir visuals and ten-minute-egg dialogue as he seeks the scummy hoodlums (Ellen Barkin, Lance Henriksen) who terminated his ex-friend.

Everyone speaks with an exaggerated "Serth'n" accent; except Sister Luke the speech therapist who has to give Mr Rourke his how-now-brown-cow lessons. Since Mr Rourke is not known for his Gielgud-like articulations at the best of times, the change is not spectacular. All in all, the film is distressingly silly. In his best movies, Walter Hill has a flair for making comic-strip two-dimensionalism seem close cousin to tragic distillation. (He famously presented *Warriors* as a modern-dress version of Xenophon's Anabasis.) But *Johnny Handsome* seen less distillation than canned melodrama, reached down off the shelf and opened with a "Here we go again" automatism.

Finally, a foolish treat for monster collectors. *Leviathan* is the tale of a deep-sea mining station menaced by something unspeakable. We allude not to the script – though that would qualify – but to the yukky metamorphic "thing" that comes out of the sea and flails around gobbling up crew members. Ten for special effects; two for storyline (*Alien* meets *The Abyss*) and direction (by George "Rambo" Cosmatos).

Nigel Andrews

Julia Roberts and Richard Gere in "Pretty Woman"

The Table of Two Horsemen

GREENWICH THEATRE

A perpetual dusk sets both mood and theme of Arthur Frewen's play: the waning of Empire finds a sentimental reflection in the end of the day, a time when cavalry officers swig their sundowners on the immaculately coiffed lawns of the Rawalpindi Club in the exquisitely poignant knowledge that things so perfect cannot last. The year is 1942, and awareness of the war raging about and beyond them merely infuses the Forgotten Army with Chekhovian melancholy. Gandhi has been arrested, but the the only representative on stage of his people is the anxious, humble figure of the club servant – an elderly Hindu who, it turns out in a second act set four years later, is probably destined to have his throat cut once he has lost the protection of his colonial masters.

Frewen displays no particular insight into India except for the bit of it that that nestles close to the public school in the affections of a certain class and generation of Englishman. Like the public school (to which all his characters, bar the woman and the Indian, undoubtedly went) it is a place of honour, sport and comradeship which can too easily spill into dishonour, love and loneliness.

The catalyst in this case is a gorgeous young lieutenant, who is adored by men and women alike. He recites poetry like an angel, fathers an illegitimate child and finally precipitates the suicide of the doting, curmudgeonly Major (non-sportsman, smoker and public school hater) who has quietly loved him throughout.

The most striking thing about Christopher Renshaw's languorous production is that it is chock full of beautiful men who pursue the ambiguities of their relationships with a quiver and twitch by way of emotional outpouring. Rupert Frazer's has only to shift in his chair for the Major's mood to change from intense irritation with the club buffoon (a refreshingly robust Shaughan Seymour) to equally intense infatuation with the boyish charm of Angus Pope's Tom.

The play is most successful in its delicate opening scenes when the nature of the the relationships is at its most oblique – a quality only preserved in John Moulder-Brown's portrayal of Nick, the poetry-quoting ex-schoolmaster, incongruous in khaki, who sensitively and selflessly supplies the third corner of two triangles. His closeness to Tom, a former pupil, propels him first into the confidence of the Major, and then into marriage to his protegé's abandoned mistress, neatly drawn by Rebecca Saire.

By the second act one is waiting for something to happen to change the tempo and the direction of what has up to now been an absorbing enough amble through the emotions. But four years of active service, the end of the war and, imminently, of the Empire, have failed to do any more than darken Liz da Costa's skyscape backdrop and deepen the air of despondency to a suicidal purple. One looks in vain for unexpected cloud formations in wider horizons.

Claire Armitstead

Alastair Muir

Angus Pope and Rupert Frazer

Fashion

TRICYCLE THEATRE

Doug Lucie's award-winning play arrives at the Tricycle in Kilburn up-dated and tightened up. Time has been both kind and unkind to this political saga of the dubious machinations of the Cash Creative Consultancy to win the advertising account of the Conservative Party.

The party obviously now desperately needs the help of the experts who, in the words of Paul Cash, "tell lies for a living," but Lucie's sympathies with the Outside Left look more than a little sick after the upheavals in Eastern Europe. He was lucky to get away with a line like "real socialism has not been tried" without raising a hollow laugh. In fact the political histrionics in an over-long Act 2 sit oddly and uncomfortably on the taut playing of Act 1.

Davie Bowie's "Fashion" leads the way into a pale dawn which sees a naked Cash rise from his office couch to perform calisthenics while listening to his Ansafone messages. Paul Freeman re-creates the menace in a character who falls into a lonely melancholy by the end of the act when, naked again, he responds to Paul Higgins' rent boy's demand "I want a job" with a lapse into truth and "I want love" as he tentatively touches his new employee's chest.

The stage seems set for a study of modern alienation but "right on" politics raises its predictable head and on troop the acting clichés – the Brian Walden-type Labour turncoat; the ruthless Tory candidate Thatcher clone; the socialist film director whose principles have sunk to the level of his beer gut. Apart from the agency secretary, all the characters range from the very to the totally obnoxious and their awfulness can hardly fail to alienate an audience.

Still the writing is spot on, the plot daft and devious enough to prevent tedium. Robin Soans, as the sold out political commentator, Jim Carter, as the film director whose soft heart just about redeems his apostasy and Lorna Heilbron as the Tory Delilah, make the most of the meatiest roles and of Michael Attenborough's speedy direction.

Antony Thorncroft

Handel's 'Flavio' revived in Monte Carlo

"An anti-heroic comedy with tragic undertones" is Winton Dean's description of Handel's *Flavio*, produced for a few performances at the King's Theatre in the Haymarket in 1723. Though it has been seen in our day (at Abingdon for example), *Flavio* has not featured prominently in the post-war Handel revival. The mixture of satirical comedy and tragedy may worry historians wishing to categorise, but it did not noticeably displease last week's audience at the Salle Garnier, Monte Carlo, where *Flavio* was the operatic attraction of the "Printemps des Arts" Festival – mainly concerts and star recitals. Perfect material indeed for a spring evening in this opulently intimate theatre – three acts of widely varied arias depicting a sequence ofpainful or absurd predicaments, more evenly distributed than usual with Handel between the principal voices.

The original London cast, including Cuzzoni, Durastanti and Anastasia Robinson, was starry. The international team chosen by René Jacobs, the conductor and baroque specialist, was notexactly starry but, more important, very good; expert at negotiating the stream of melody with beguiling ease – fluent, light and expressive Handel singing with finely judged decoration. There were two accomplished counter-tenors from the US, Jeffrey Gall as Flavio King of the Longobards (oneof his problems was to provide a governor for Britain, whose subjection to Dark Age Lombardy seems to have been ignored by history books) and Derek Lee Ragin as Guido, son of the counsellor Ugone.

Lena Lootens impressively sustained the chief soprano role of *Emilia*, who has a fine run of arias as she laments her fate – Guido, the man she loves, urged on by his father who has been, he thinks, mortally insulted, has slain Emilia's father. The breeches role of Vitige, Flavio's deceitful friend andrival in love for Teodata, was stylishly done by Christina Högman, who has the enviable gift of keeping still. The dark, grainy contralto of Gloria Banditelli as the much-desired Teodata made effective contrast with the two sopranos. The tenor and bass roles of the two counsellors, Ugone andLotario, were taken by Giampaolo Fagotto and Ulrich Messthaler.

Christian Gagneron's good-looking production was tactful alike in scenes of courtly banter and fiercely erupting passions. Thierry Leproust's architectural sets, silently changed in the twinkling of an eye (if only other theatres could do likewise), and outstanding costumes by Claude Masson,including a superb cloak for the ostentatious sovereign, were a bonus. The opera has been enjoyably recorded by the same conductor (with the Ensemble 415 – Chiara Bianchini in place of the Concerto Köln heard at Monte Carlo) and identical cast (except for Bernarda Fink as Teodata) by Harmonia Mundi France on 901312.13, 2 CDs. Flavio, already seen at Innsbruck last August, will be repeated at Caen and, in a concert version, atBeaune in Burgundy.

★

One of the Festival recitals was given (in the Auditorium of the Congress Centre) by Grace Bumbry, with Jonathan Morris at the piano. Groups of Brahms, Fauré and Strauss were tactfully underpinned with arias by Spontini (*La Vestale*), Massenet (*Hérodiade*) and negro spirituals. The voice has a metallic ring now but the power is kept in check, even in composers like Fauré for whom is really too heavy, by almost sculptural phrasing. Not all the songs responded as well to the higtreatment as Brahms's "Von ewiger Liebe" and Strauss's "Die Georgine." Of the arias, "O nume tutelar," the line moulded with grave authority, was even more winning than the pleading "Il est doux, il est bon." Not for the first time the mezzo aspect of Bumbry's art pleased more than the soprano. As a final encore the Seguidilla from *Carmen*, scaled to the arena at Verona where the artist will sing the role this summer, was sultry-humorous, aggressive and vital.

Ronald Crichton

Uchida's Bartók

FESTIVAL HALL

On Tuesday Mitsuko Uchida played the Bartók First Concerto with the Philharmonia under Eliahu Inbal. The pianist's free-spirited approach to music of all periods is one of the joys of current concert-going; and her Bartók, following recent Uchida performances of *Schoenberg, Ravel, Schumann*, and Debussy (whether chamber-music or solo, "live" or recorded), offered further proof – if any were still needed – that her artistic horizons are limitlessly wide.

It was a reading of extraordinary concentrated strength. Miss Uchida's projection, alike in passages stampingly loud and whisperingly soft, is so precise, so true of focus, and so ready in application of tone-colour, that details can be made to tell without any reliance on the more obvious Bartókian atmosphere-creation devices. The rhythms were delineated with cat-spring exactitude; witty, teasing tricks were played with metre and accent in a way that removed from Bartók's pounding ostinatos all danger of the merely mechanical.

Above all, there was a feeling of taut, unsentimental poetry about the solo playing which the Philharmonia wind and percussion answered quite brilliantly – Miss Uchida is obviously a pleasure to partner, quite as much as she is to listen to.

Inbal, a solid professional whose newly-restored partnership with the Philharmonia is plainly a Good Thing for all concerned, drew brightly energetic playing all evening. Kodály's *Dances from Galánta* (distinguished by Michael Collins's coolly elegant clarinet solos) and the original version of *Petrushka* (in spite of some rather flawed trumpet work) completed an exhilarating programme: in orchestral terms perhaps the final degrees of imaginative engagement were missing, but not much else.

Max Loppert

ARTS GUIDE

May 4-10

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.

Paris

Grand Palais. Soliman Le Magnifique. A treasure trove of goldsmiths' work, miniatures, ceramics and textiles recalls the splendour of the reign of Soliman "the shadow of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Gulf. Deep blue, red and green, patterned with gold shines from a portrait of Soliman. Arabesques wind and unwind in manuscripts, flower motifs combine with peacocks and dragons on blue, white and turquois plates and dishes. Closed Tue, Wed late closing, ends May 14 (42895410).

Petit Palais. James Ensor 1860-1949. A retrospective of 100 paintings, 130 drawings and etchings brings to mind Ensor's provocative boast of "I am mad, I am stupid, I am nasty". Born in the land of Jerome Bosch and brought up in Ostend in a shop of seaside souvenirs full of carnival paraphernalia, he peoples his nightmarish universe with skeletons and grimacing masks. Closed Mon, ends July 22 (42651273).

Musée d'Orsay. The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition beginning with ex-votos and reliquaries and culminating in a celebration of Degas, Bourdelle, Maillol and especially of Rodin, with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40494814).

Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. A deep religious sense imbues their imaginary world peopled with divinities often represented as jaguars and serpants. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Musée d'Art Moderne. Retrospective of the Belgian abstract/expressionist artist Englebert van Anderlecht (1918-1981). Closed Monday, ends May 13.

Hotel Communal de Schaerbeek, Place Colignon – treasures of the commune. Works by Constantin Meunier, Jef Lambeaux and other Brussels artists of the 19th and 20th centuries, daily except holidays. Ends June 11.

Isy Brachot. Portrait of the Pace gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.

Musée Wellington-Waterloo. Inedits sur Waterloo commemorates the 175th anniversary of the Battle of Waterloo. Daily, ends July 31.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Venice

Palazzo Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShine for the Moma in New York last spring, to which have been added about a dozen from private Italian collections. Opening with Dick Tracy (1960) and closing with Warhol's version of Leonardo's Last Supper, completed shortly before his death in 1987, the exhibition concentrates on the early works, 1960-1967. The famous Marilyn, Liz, and Coca-Cola series are shown to excellent effect in a particularly skilful layout by Gae Aulenti, in collaboration with Pontus Hulten. Until May 27.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year stint by Vatican restorers on the ceiling of the Sistine Chapel and the beginning of four futher years' work on The Last Judgment. Remarkable for exceptionally generous opening hours (open every day except Wed and on Sat from 9.30am to 11.00pm) and handsome catalogue, as well as a rich collection of drawings by Raphael, Rubens, Annibale Carracci, showing clearly Michelangelo's powerful influence, the exhibition also carefully documents the techniques used and the difficulties encountered by the restorer. Particularly interesting is the 1541 copy of The Last Judgment, by Marcello Venusti, lent by the Capodimonte Museum in Naples, showing the brilliance of the original colours Ends July 10.

Munich

Kunsthalle der Hypo-Kultur-Stiftung, Theatinerstr. 15.Joan Miro a collection of scurrilous sculptures and previously unpublished drawings by Miro will be on display in Munich's Kunsthalle until June 17. There are about 130 examples of the work of the Spanish surrealist artist, who died in 1983 at the age of 90.

Saarbrücken

Moderne Galerie. Growing on the Move. Retrospective of Paul Klee (1879-1940) in honour of the 50th anniversary of his death with around 190 oil paintings, watercolours and drawings from all periods, to be seen until May 27. This is one of the most comprehensive Klee exhibitions ever.

Vienna

Kunstsforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Menzel.

Museum für Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 23 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.

National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.

National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings, including monumental bronze casts of male figures, portraits and animals in characteristic roughly textured heroic poses. Ends July 4.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementos and personal effects of the Great Emancipator. Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.

Tokyo

Tokyo National Museum. National Treasures of Japan. Painting, sculpture, calligraphy, craftwork, archaeological artefacts, from prehistoric times to the Edo Period. This is the first opportunity in 30 years to see as many as 200 of Japan's greatest works of art in one place.

National Museum of Western Art. Bruegel and Dutch Landscape. 58 paintings on loan from the National Gallery in Prague. The centrepiece is Pieter Bruegel the Elder's magnificent Haymaking, with its wealth of circumstantial detail, and the focus is on the development of landscape painting as a genre from its beginnings in 1500 to the mid 17th century.

Idemitsu Museum. In Pursuit of the Dragon: Tradition and Transition in Ming Ceramics. Major examples of Chinese porcelain drawn from the museum's own extensive collection.

Shoto Museum, Shibuya. Postwar Japanese Art. Paintings and sculpture mainly by members of the Gutai Bijutsu Kyokai group, who tried to forge a distinctive Japanese avant garde style. Fascinating.

Meguro Art Museum, near Meguro station. The Kahnweiler Collection. Major works from the personal collection of the art critic and dealer who promoted the work of Picasso, Braque, Gris and other pioneers of Cubism.

SALEROOM

Cold wind of reason

The salerooms in New York are this week rediscovering Newton's law of gravity that what goes up must come down. Contemporary art, mainly the output of the post-1945 New York school of abstract expressionists, enjoyed a sudden price surge for two years, culminating in extraordinary prices in New York last November. Now the reaction has set in.

On Tuesday Sotheby's made $55,874,500 (£33.5m) from its offering of 83 lots but by value 31 per cent was bought in, and the auction did not reach its forecast. Obviously vendors were still expecting the price levels paid last year. Instead bidding was more cautious.

The clearest indication of the cold wind of reason was shown in the prices paid for Willem de Kooning. Last November "Interchange" by this Dutch born American artist topped $20m (£13m) a record for a work by a living artist. On Tuesday Sotheby's was hoping for up to $12m for his "Woman as a landscape," a key work of 1954 which reflected his evolution from figurative abstraction to the later "landscape" paintings. It was unsold, with the bidding stopping at $4.75m, half its low estimate.

"Palisade," an early "landscape" abstract of 1957, did sell, for $7.15m (£4.3m), to the dealer Richard Gray, but the price was under its low estimate. Obviously de Kooning went too high, too fast, and Sotheby's and sellers misjudged the depth of demand. As Lucy Mitchell-Innes of Sotheby's pointed out, before the $20m paid for "Interchange" the auction record for a de Kooning had been just $3.63m. She also highlighted the precipitous growth in the contemporary art market in New York which in the five years up to 1989 expanded twenty fold, from $13m to $250m.

One of Francis Bacon's "Popes" sold for $5.5m (£3.3m), at the bottom of its estimate, while his 1968 portrait of his friend, the artist Lucian Freud, actually exceeded its high estimate at $3.63m (£2.2m). There was a record for Cy Twombly of $5.5m (£3.3m), paid by a Japanese dealer for "Untitled," an oil and crayon of 1971, and also, among ten artist records, new highs for Morris Louis; Frank Auerbach; Helen Frankenthaler; and Larry Rivers. Twelve paintings topped $1m and at least there was still strong Japanese interest in a field long dominated by new rich Americans.

The contemporary sale at Sotheby's, following on a very similar experience by Christie's on Monday, suggests that the key Impressionist and modern picture auctions next week will be tense affairs.

Antony Thorncroft

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A triumph for common sense

THE latest proposals for VAT administration are a small step for the European Commission, but a giant step for the Community. For they should allow the disappearance of fiscal checks at the frontier, at least as far as VAT is concerned. One of the prime symbols of the completion of the internal market would thus be achieved.

The proposals, described as transitional, build on the current VAT systems of the EC, which are based on the "destination" principle. At present, therefore, the rate of VAT depends on who buys the product. Exports are zero-rated, with VAT levied on imports at the rate of the country of importation.

The question has been whether it is feasible to continue with such a system, when there are no checks at the border on whether goods are, in fact, exported. The proposals advanced by the UK Treasury in September 1988 stressed that "frontier barriers cannot be removed in one go".

The Commission's present proposals, which have now received the endorsement of Her Majesty's Customs and Excise, go well beyond this. Mrs Christiane Scrivener, the Commissioner responsible for fiscal policy, suggests that all border controls over VAT transactions should be abolished from the beginning of 1993. None the less, the current VAT system, based on the destination principle, is to be retained, at least until 1996.

U-turn

Both the Commission and the British Government have now welcomed a combination that they had previously condemned as unworkable. For the Commission had insisted upon a prompt change in the VAT system to the "origin principle", while the British Government was determined to maintain border checks.

The approach of 1993 has, like hanging, concentrated the mind. Suddenly the Commission has discovered that fiscal frontiers can be abolished without a change in the basic operation of the VAT system; while the British Government has discovered that the new system can be policed without checks at the frontier.

Instead of such checks, there are to be fiscal co-operation and risk-based audits within each country. Companies would have to supply monthly information on the total value of exports and imports within the EC, while large companies would have to complete a monthly form requiring 10 further pieces of information.

Basis for agreement

Customs and Excise say they are content with this simplified system. Why then have they insisted upon those annoying border checks and the accompanying documentation? But the mouths of gift horses should not be examined too closely. For the new proposals are, France permitting, the basis for agreement at last.

Unfortunately, the Commission has not abandoned its desire for the "origin principle" to be accepted. It now wants such a system to be introduced by the end of 1996. If, however, it is possible to abolish fiscal checks while retaining the present VAT system, there seems to be no reason – other than bureaucratic tidy-mindedness or ideological fixation – for insistence on a prior commitment to quite another system.

The current proposals do not resolve everything. The thorny question of VAT rates remains. While the Community's original proposals for VAT harmonisation were illogical and unacceptable, there is a case for agreement on minimum rates, as the Commission now suggests, though perhaps that agreement could be limited to those members particularly vulnerable to tax erosion due to cross-border shopping. Excise duties are equally troublesome. Here the perfectly understandable insistence on widely different rates, largely for reasons of public health, would make unlimited cross-border shopping unacceptable.

The Commission is to be congratulated on coming up with practical suggestions to achieve one of the most symbolically important goals of the entire internal market programme. It is a pity that it is not matched by an equally pragmatic acceptance, not least in the UK, that border controls on the movement of people can also be dispensed with.

Whose pension surplus?

THE question of who owns a pension fund surplus may be an old chestnut for pensions lawyers, but it resolutely refuses to go away. Pension fund contribution holidays are still the subject of acrimonious argument between management and unions – witness the row over British Telecom's decision to suspend payments into its staff pension scheme last year. And there has been a number of cases in recent months where the courts have been required to deal with the treatment of surpluses in pension schemes of companies that have gone to the wall. If anything the judges have confused rather than clarified the general issue, while showing a tendency to regard what is left in a fund after defined benefits have been paid as belonging to the employer.

The most recent case in point concerns the pension fund of Richards & Wallington Industries, a plant hire group which went into receivership in 1981. The judgement here is likely to apply only in very rare circumstances because of the flawed nature of the particular trust deed. But part of the underlying reasoning, which echoed earlier judgements, was that an employer who pays for the cost of pension benefits over and above the employees' fixed contributions should be entitled to any surplus because it represents an overpayment by the employer.

Deficiencies

At first sight the argument appears plausible enough. If the company provides a guarantee of solvency and tops up a pension fund when it runs into deficit, entitlement to any pension fund surplus might seem a fair reward for risk. Yet employers rarely undertake a legal obligation to make good a deficiency. In practice many simply allow deficiencies to persist from one actuarial valuation to another until, say, a favourable change in investment returns corrects the shortfall.

There have, admittedly, been some big payments by employers into funds in the past. But companies were quicker in the 1980s to take advantage of surpluses through contribution holidays than they were in the mid-1970s to meet deficiencies with hard cash.

More fundamentally, the idea that a surplus derives from overpaid employers' contributions is open to question. The huge surpluses that accumulated in British pension funds in the 1980s reflected the fact that the average pension fund's investment income rose faster than prices or wages. In the end the argument boils down to another old and related chestnut: whether pension benefits represent deferred pay or a paternalistic hand-out from an investment trust that is increasingly regarded as a profit centre for the company.

Paternalism

In cases where the courts have to decide how to treat pensions in calculations of damages payable to individuals, judges almost invariably opt for the deferred pay approach. With the pension schemes of companies in liquidation, paternalism tends to prevail. It seems doubtful whether people who regard the money as part of their pay package would voluntarily choose such paternalism if it were presented to them in its true colours. And if the commercial logic of running a pension scheme is to attract and retain employees, this is surely not the way to do it.

Many pension consultants, meantime, would prefer to get away from arguments about who owns which bit of the fund and concentrate on protecting the fund to secure the members' benefits, which is what a good trust deed should anyway set out to do. To that extent, the present Social Security Bill, with its proposal for independent trustees and cost of living increases for benefits up to a ceiling of 5 per cent, is a step in the right direction.

But with inflation close to double figures again that is no panacea for those whose employers prefer to comply with the minimum required by law rather than best practice. And in the absence of a clearer legal framework, the growing squeeze on corporate sector liquidity is sewing the seeds of trouble later in the decade. Gradualism, it seems, is the guiding motto of those who make policy on occupational pensions.

ECONOMIC VIEWPOINT

Dark day and after

By Samuel Brittan

Tomorrow is Black Friday, and the headline inflation rate will be the worst item of economic news, in populist terms, for the Thatcher Government since it took office. For the combination of the poll tax, higher mortgage rates, the Budget increase in excise duties and other lumpy increases, such as local authority rents and energy and water charges, will take the annual increase in the Retail Prices Index to its highest since 1982.

Even if the headline rate falls just below the dreaded 10 per cent figure, the Government will not be out of the wood. For the headline rate is likely to rise further by late summer. According to Gavyn Davies of Goldman Sachs the peak will be around 10¼ per cent in August and the rate will remain above 9 per cent in the final quarter of this year. Less pessimistic analysts see the peak just in single figures by a couple of decimal points. But there is little dispute about direction.

The continued rise over the summer will in part be a matter of the accident of how the RPI was moving a year ago. For the second quarter of 1989 was relatively flat, which will make performance in the coming months seem worse. But much more important is a likely genuine deterioration.

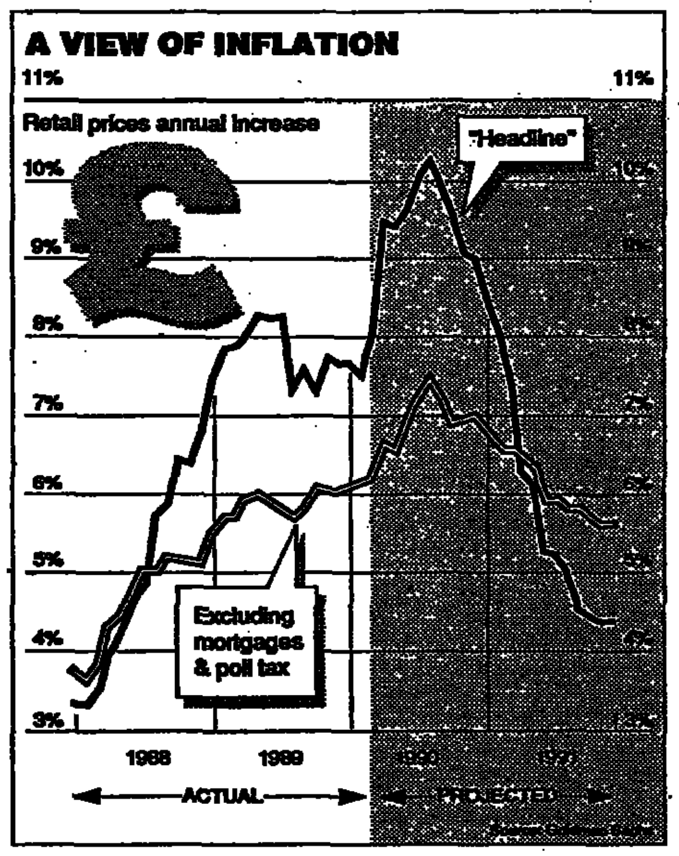
The underlying inflation rate, excluding mortgage payments and the poll tax, rose from below 4 per cent in 1987 to 6.3 per cent this March. It is being further boosted by rising pay settlements and the depreciation of sterling over which a professedly anti-devaluation Conservative Government has presided. Goldman Sachs sees the core rate of inflation, excluding both mortgage rates and the poll tax, rising to a peak of 7¼ per cent in mid-year and then declining only very gradually, but still near 6 per cent in late 1991.

Like most other forecasters, it expects a sensational collapse in the headline rate of inflation to less than 5 per cent in the second half of 1991. This is on the assumption that the Government will get mortgage rates down by 3 percentage points even if this means joining the Exchange Rate Mechanism for the wrong reasons and in the wrong spirit. If the electorate is taken in by a stupid Retail Prices Index, which makes counterinflationary policies seem inflationary, and inflationary policies look like sound money, it will deserve its fate.

As the letter columns of this paper show, there is strong sales resistance, expecially among small businessmen, to the idea that high interest rates are an appropriate weapon for reducing inflation.

There is, moreover, a genuine paradox to explain. Economies with low inflation rates have low nominal interest rates, as a glance at any table of either short-term rates or bond yields, will confirm. There is thus implicit in a successful orthodox monetary squeeze an extended sequence in which interest rates first rise, then return to their original position and eventually fall back further - a sequence which is never explained to the public.

An article in the May Bank of England Bulletin, released a day ahead of publication, entitled *The Interest Rate Transmission Mechanism in the UK and Overseas*, is a long overdue attempt to explain. It does not tackle the fundamental sequence I have just outlined. But it does argue that recent financial changes have made interest rates more effective rather than less.



The bulletin authors identify several ways in which higher interest rates might affect spending.

● 1.The relative cost of present and future expenditure changes. If you defer spending, whether on consumption or investment, you can spend more because of accumulated interest. If you insist on spending now, you spend less than if you had waited. This substitution effect is always pro-saving and anti-spending.

● 2(a). Higher interest rates squeeze the income of borrowers and increase the income of creditors. The Bank believes that the net effect is restrictive, because borrowers have a higher propensity to spend.

● 2(b). Higher interest rates reduce the value of assets such as houses, equities or government stock. The resulting wealth effects reduce spending, especially in the personal sector.

● 3. A rise in interest rates relative to those overseas will sustain the exchange rate at a level higher than it would otherwise be. This will not only hold down import prices, but - more important in the medium term - reduce the growth of pay and other costs among exporters and domestic businesses competing with imports. This last aspect is not emphasised nearly enough by the Bank.

Channels 2(b) and 3 have been far the most important ones. As the Bank points out, a restrictive influence along any one of them produces second-order effects on activity. Thus they become merged in practice.

Bank Model Simulations
Effects of 1 per cent rise in all interest rates

Percentage difference from base	4th quarter*	8th quarter*	12th quarter*	12th quarter**
GDP	-0.4	-0.7	-0.9	-1.0
Consumer expenditure	-0.6	-0.9	-1.2	-1.1
Investment	-1.3	-2.2	-2.8	-3.2
GDP deflator	-0.1	-0.2	-0.5	-1.0
Retail price index	0.3	0.2	-	-0.7
Average earnings	-	-0.1	-0.4	-1.1
Effective exchange rate	-	-	-	1.5

*Exchange rate fixed; **exchange rate free

Some of the most important reasons why interest rates now bite more deeply spring from financial liberalisation and the easier availability of credit, especially for house purchase, together with the greater confidence in the economic future, prevailing during most of the 1980s.

Increases in the numbers taking on mortgage debt, in the ratio of loans to income, and in the proportion of purchase price covered have all increased debt servicing costs. First-time buyers are particularly vulnerable, as the proportion of disposable income required for debt servicing has risen from 20 per cent in 1982 to 26 per cent in 1987, and 38 per cent in 1989. In the London area the debt servicing burden is 40 per cent.

Moreover, it is mainly the younger households with the greatest propensity to consume which are the largest net debtors. Positive net financial wealth is found on average only among the over-50s.

The increase in debt servicing has made the personal sector more vulnerable to interest rate increases – which are thus more politically unpopular. It has also brought nearer the point at which both borrowers and lenders hesitate to take on more credit for prudential reasons.

The bulletin's formal model is much less impressive than its description and account of magnitudes. After years of playing down interest rates, the model now allows them a big impact on demand, output and activity. But the identified feed-through from reduced activity to lower pay and price rises is extremely weak.

The simulation shown in the table shows the headline RPI actually higher two years after an interest rate increase, and no lower even after three years. The impact even on underlying inflation (shown by the GDP deflator) is delayed and modest. It only becomes important when exchange rate effects are taken into account.

The wrong way to read the Bank of England simulation is to say that sterling must be allowed to go where it will with no EMS or other constraint. This would be to ignore the experience of other European countries. The correct reading is that tight money prevents sterling from falling when otherwise it might. If sterling is held stable against a group of non-inflationary currencies, there is no way in which the prices of UK traded goods and services can pursue for long an inflationary course, misinterpretations of shadowing the Mark not withstanding.

The Bank authors try in one passage to play the relationship down by pointing to the non-traded service sector where cost pressures have been most severe. But this is to assume that the economy is divided into rigid compartments and that wage costs can be held back in manufacturing while continuing to soar elsewhere. No doubt in a couple of years sectoral linkages will be more fully taken into account in the Bank's model, which, like all such models, eventually catches up with events.

BOOK REVIEW

The survival of the fittest

THE COMPETITIVE ADVANTAGE OF NATIONS
By Michael E. Porter
The Free Press. £25

The past decade has seen much inconclusive soul-searching in the US about "national competitiveness", as one industry after another has lost ground to foreign rivals. More recently, echoes of the debate have spread to Britain, where disenchantment with Thatcherite free-market nostrums has led to calls for more *dirigiste* policies.

But what is national competitiveness – and how is it created and sustained? This book, by an American economist turned management guru, picks the right target: a country's capacity to raise living standards by continuously improving productivity in the output of ever more sophisticated goods and services.

That objective cannot, Michael Porter says, be achieved simply by virtuous macroeconomic policies, still less by currency depreciation. Nor do abundant natural resources and cheap labour any longer guarantee national advantage. Their role has been devalued by advances in technology, communications and capital mobility, which have opened markets to wider international competition.

That does not, however, condemn companies worldwide to compete on the same terms. On the contrary, Porter maintains that globalisation sharpens national differences. Hence, countries' prosperity will depend increasingly on how efficiently they exploit the particular and distinctive strengths with which they have been endowed by history, circumstance or aptitude.

Porter argues that this process – and the reasons why countries excel in some types of business but not others – can be understood only by examining the micro-economic environment in which individual industries operate.

His thesis is that the essential mechanisms for creating competitive advantage form a "diamond", representing the interaction of four determinants. These are the ability of countries and industries to create factor advantages – and overcome disadvantages – by upgrading investment, research and skills; the quality of demand on the home market; the proximity of competent suppliers and "clustering" by closely-related industries; and the intensity of local competition.

This is scarcely a revolutionary insight. Many studies of Japan have stressed the benefits its export industries derive from a highly-educated labour force, discriminating consumers, inter-locking supplier relationships and the discipline of fierce rivalry between domestic producers.

However, Porter has sought to test his argument systematically by correlating it with a wide range of industries in 10 countries. Taking world export share as his benchmark, he concludes that in successful sectors as diverse as Italian tile-making, US medical equipment and Japanese robots, the points of the diamond have all strongly reinforced each other. Conversely, he finds that industries where his determinants are weak have generally lost market share.

The operation of the diamond is closely linked to countries' economic development. This, in Porter's view, follows a progression from initial reliance on basic factors, such as low costs, through an "investment-driven" phase, to dependence on innovation as the main competitive weapon. Beyond that point, failure to continue upgrading national advantage brings "wealth-driven" decline – ie: the British disease of living off past economic achievements.

This leads Porter to some rather prosaic prescriptions. Britain needs to improve research and education while continuing to deregulate markets. The US needs to rediscover the traditional values of individual initiative, competition and long-term investment. And so on.

He is emphatic, however, that the driving force for progress must come from the market, where only the pressure of relentless competition compels companies constantly to refine their competitive advantage. He is correspondingly scornful of mergers, alliances and direct government intervention in industry, which he views as largely anti-competitive.

But he may overstate his case by insisting that successful companies need a national "home base" built on domestic – as opposed to international – rivalry. In many European countries, fielding even one home-grown contender in scale-intensive industries such as aerospace and public telecommunications manufacturing is becoming a challenge.

Furthermore, the economic importance of national frontiers is called into question by Europe's planned single market. By Porter's standards, Ford of Europe, with no obvious "home base" country, should be in trouble. Yet it has often out-performed its US parent and looks better placed than many local rivals to compete effectively after 1992.

Nonetheless, Porter's central message, that competitive advantage is won through an intense Darwinian struggle by individual companies, is refreshing. This book should give pause for thought, at least, to those in the west who think the answer lies in mega-mergers, government intervention or bashing Japan.

Guy de Jonquières

Holiday plans

■ If the European Commission wants to hit the 1992 deadline, it might do well to harmonise holidays. In the past fortnight it has been hard to get all 12 round the table at once. The Monday before last the Dutch celebrated the birthday of Queen Beatrix, Tuesday it was Labour Day in most places, last Monday counted as May Day in UK, and the following day the French took off to celebrate the end of the war. Yesterday, when everyone else was back at work, the Commission downed tools in honour of the Euro-pioneer Robert Schuman.

Although there will be a brief chance to get something done today, by Friday the Danes will be staying at home again for a General Day of Prayer. Altogether there are 35 days a year that are a holiday somewhere in Europe, and only two, Christmas Day and New Year, are celebrated by everyone together.

It may be out of embarrassment that the Commission has not brought forward a days off directive – the Euro-institutions take more holidays than anyone, and cannot even agree among themselves which days to take. The Commission declines to work on Maundy Thursday, whereas MEPs will work then, but insist on playing on Carnival Monday.

OBSERVER

Moving up

■ Gene Lockhart's promotion to chief executive of UK banking at Midland Bank at the tender age of 40 singles him out as a candidate for a top slot in Midland's merger with the Hongkong Bank, if and when it comes off.

Lockhart is very much an outsider at Midland. An American information systems specialist, he has never made a loan in his life. (His qualifications are in engineering and accountancy). His crisp, some would even say abrasive, manner also jars with much of Midland's homelier clearing bank culture.

But he was hand-picked by Sir Kit McMahon shortly after he took over as chairman in 1987, and he has reportedly made a big effort recently to cultivate relations with Midland's staff and customers. His strong belief in the importance of a good back office also likens him to John Reed, the chairman of Citicorp – with whom he shares boyish looks.

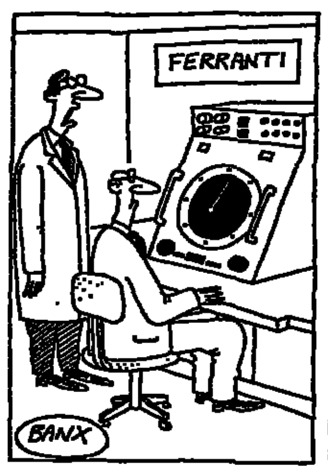
The betting on Midland-Hongkong is that the two banks will form a joint holding company with Sir Kit as chairman and Willie Purves, Hongkong's chairman, as chief executive, in about a year's time. Lockhart could then become chief executive of the Midland bank itself. But, characteristically, the hard-driving Lockhart was too busy yesterday to talk about his appointment.

The Mousetrap

■ The intense rivalry between the new $630m Universal Studios theme park in Orlando, Florida, and its well-entrenched Walt Disney rival, has taken a macabre, and bloody turn. Opening next month is a spectacular Universal attraction based on the film Jaws. As tourists ride by, a 24ft mechanised shark snaps up a pleasure boat. Among the body bits, tee shirts and other flotsam that rise to the surface of the artificial lagoon is a pair of Mickey Mouse ears.

Unarmed

■ Should Lego men carry guns? The question is causing some debate at the secretive Danish company that makes one of the world's best selling toys. Lego started making wooden toys in 1932 and since the 1940s, when it branched into plastic construction bricks, has never looked back.



"How can we be sure it works if it hasn't got anything to detect?"

It is now one of the world's top seven toy companies but unlike most of its rivals it shuns men of violence. Its first plastic man appeared in 1974, and its unarmed armies of knights, pirates, spacemen and ambulance workers clamber all over the bricks and other Lego parts. Kjeld Kirk Kristiansen, the grandson of Lego's founder, says his family-owned firm sells nothing that depicts organised violence.

However, the rule does not apply to Lego's pre-20th century models on the grounds that any offensive activity by these people can be thought of as romantic. "What would a black knight be if he did not carry a lance or a sword ?" asks Mr Kristiansen.

Judging by the 25 per cent jump in Lego's pre-tax profits last year, there seems no pressing financial reason why the company needs to boost sales further by giving the Lego men guns. Nevertheless, there are tell-tale signs that the cease-fire may not last much longer. Recently, the company introduced a pirate cannon which fires a small projectile. "We had a lot of discussion about this," says Mr Kristiansen.

Fighting fit

■ Lord Hanson is one of those businessmen who believes that the playing fields of England produce some of the country's best leaders. Yesterday, the Duke of Edinburgh, in his capacity as president of the Central Council of Physical Recreation, presented the boss of Britain's sixth biggest company, with the Arthur Bell trophy for making the biggest ever contribution to the development of community sport in Great Britain.

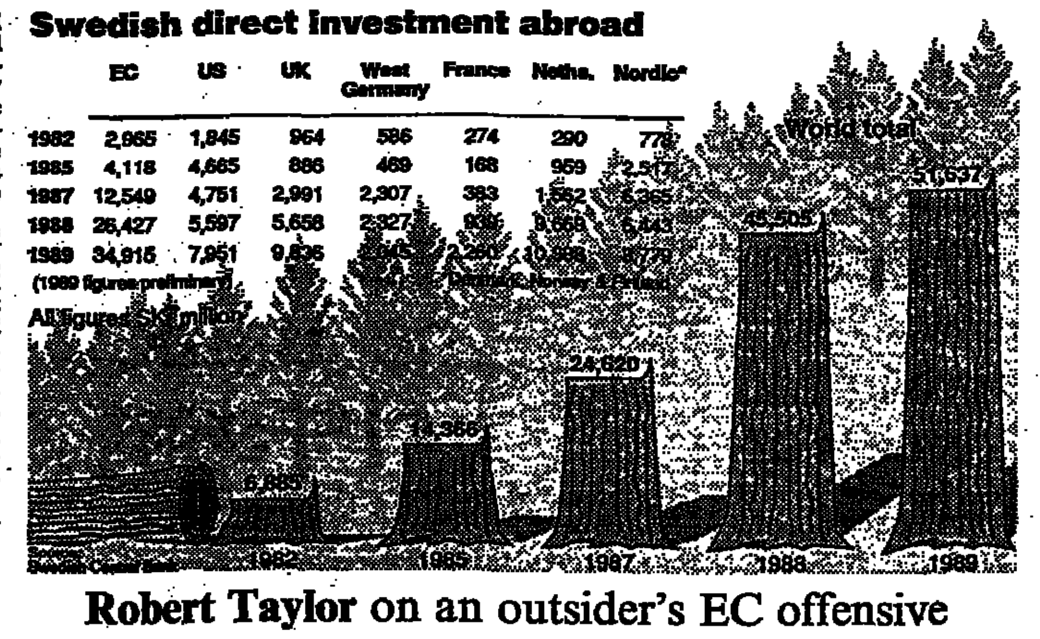
Hanson plc has promised the British Sports Trust, the fund raising arm of the CCPR, £400,000 to launch the Hanson leadership award. The money, equivalent to a quarter of Hanson's annual charity spend, will go to training young people to organise sports in youth clubs and other voluntary associations.

It all sounds very worthy. But Lord Hanson's views on sport do not end with his cheque book. Peter Harper, Hanson's man on the British Sports Trust, says that if his employer thinks you are letting yourself go, he is not afraid of telling you. Meanwhile, I hear from British Airways Lord King, that the 68-year-old Lord Hanson can cycle most quickly than him. But they never need be out of contact for long since their bikes are equipped with mobile phones.

Bad night

■ Did you hear the one about the dyslexic, agnostic, insomniac, who lay awake at night wondering if there was a dog?

William Hall



Swedish direct investment abroad

	EC	US	UK	West Germany	France	Neths.	Nordic*
1982	2,965	1,845	964	586	274	290	778
1985	4,118	4,665	886	469	168	959	2,517
1987	12,549	4,751	2,991	2,307	383	1,562	6,365
1988	26,427	5,597	5,658	2,327	[illegible]	[illegible]	6,443
1989	34,915	7,951	9,836	[illegible]	2,260	[illegible]	[illegible]

(1989 figures preliminary) *Denmark, Norway & Finland

All figures SKr million

Robert Taylor on an outsider's EC offensive

Sweden comes in from the cold

Sweden's ruling Social Democrats may still maintain that the country's traditional neutrality makes membership of the European Community impossible. But over the past three years, corporate Sweden has become virtually a *de facto* member of the EC.

The recently-announced DM4bn acquisition by Stora, the Swedish-owned paper and pulp conglomerate, of the West German forestry products and engineering group Feldmühle Nobel is only the latest evidence of the trend. Many Swedish companies are now convinced of the need to establish a strong presence within the EC in preparation for the single European market.

A recent study* by Mr Pontus Braunerhjelm of Sweden's Institute for Economic and Social Research found that the country's 40 largest companies planned to increase their EC investment substantially over the next three years. Between 1986 and 1988, the domestic share of Swedish corporate investment shrank from 83 per cent to 77 per cent, while the proportion going into the EC rose from 9 per cent to 14 per cent and is still rising.

According to one recent prediction# by Nordic economists, Swedish companies already produce about 45 per cent of their total EC sales within the Community, and the proportion will rise to nearly 60 per cent within 10 years.

These trends are having an impact on employment patterns. An estimated 62 per cent of the 923,000 people employed by Sweden's top 25 industrial companies work abroad, more than half of them in the EC. It has been estimated that last year alone, the companies' overseas labour force showed a net increase of 49,400, while net employment in their Swedish plants declined by 3,600. This development is expected to continue through the 1990s.

So far, there is no sign that other big Swedish companies are ready to follow Tetra-Pak, the packaging company, and IKEA, the DIY furniture group, and move their corporate headquarters into the EC. But a growing number have decided to establish financial operations there, notably in the Netherlands and Luxembourg.

Of course, not all the important activity by Swedish companies abroad involves the EC. The electrical engineering company Asea chose Brown Boveri of Switzerland for a merger in the autumn of 1987, and Saab Scania chose General Motors over Fiat as a partner for the saving of its car operations. The largest acquisition by the mining group Trelleborg last year involved the Canadian-owned Falconbridge, while SKF acquired Chicago Rawhide, and Electrolu bought Roper, America's large garden equipment producer.

But statistics produced earlier this year by Translink European Deal Review found that of 120 foreign acquisitions made by Swedish companies in 1989, 23 were in the UK, 19 in West Germany and 16 in Denmark. Only French, West German and American companies made more acquisitions within the EC than Sweden.

Companies currently mounting EC offensives include:

- Asea-Brown Boveri, which in its drive to become a truly pan-European company has acquired AEG's West German turbine-making unit, and in Italy, boiler and turbine maker Franco Tosi as well as the state-owned Finmaccanica group in the past 18 months. It hopes to benefit strongly from the opening of public procurement in EC countries to competitive tendering.
- Ericsson, which although a global player in telecommunications, has its eye on the coming liberalisation of EC communications networks and particularly on the lucrative German market.
- Volvo, Scandinavia's biggest company. It already has auto, truck and bus operations in the EC and has shown it intends to deepen its presence through its Renault alliance.
- Procordia, the state-owned food processing and pharmaceuticals company which acquired six European companies last year (though not all were in the EC).
- Trelleborg, the industrial company, which made seven acquisitions.
- PLM. Now Europe's fifth-largest packaging company with growing activities in Germany, it has expanded in the past two years by purchasing Redfearn, the British glass manufacturer and flexible packaging group, the Dutch-based Glasindustrie Dongen and a beverage can plant at Toulon in France.

Swedish industry's interests have been global ever since the country's late industrial revolution at the turn of the century. The domestic market in a country with only 8.4m people has always been too small for its main manufacturing companies. However, until recently overseas growth was seen as a complement to domestic expansion, and North America tended to seem more attractive as a market than western Europe.

Now the picture is changing rapidly, to the undisguised anxiety of many politicians and trade unions in Sweden, who fear that the outward stream of corporate activity is turning into a flood. In 1989, for the first time, Swedish companies spent more capital abroad than at home. And as the pace has accelerated, the focus has changed, with many companies drawing up pan-European strategies.

The determination of companies to create a stronger presence within the EC stems from a deep uncertainty about Sweden's future outside. There is great scepticism in industrial circles as to whether the current discussions between the EC and the European Free Trade Association on establishing a "European Economic Space" will prevent discrimination against Swedish industry within the EC. The companies most affected by this understandable fear of Fortress Europe are in pulp and paper, parts of the chemical industry and engineering.

But attitudes towards the EC are not just being shaped by pessimism about staying out. Many Swedish companies take a highly optimistic view of the gains to be made from the single market. The nearer to the geographical centre their operations are based, they reason, the more likely they are to benefit.

One negative consequence of this, argues Mr Braunerhjelm, is that new technology will increasingly be invested in Swedish companies' EC plants to the detriment of their domestic production facilities.

There are also strong domestic reasons why an increasing number of Swedish manufacturing companies wish to expand their activities into the EC. Employers' woes have become familiar: low productivity, high unit labour costs, the shortage of skilled labour, uncertainties over the future price of energy and tough environmental control laws.

Against this background, moving operations abroad looks like a form of escape. It has certainly been helped by the liberalisation of the financial system. As a result of the lifting of exchange controls from last July Swedish property companies, banks and other financial institutions can buy property abroad for investment purposes. Skandia, Sweden's largest insurance company, for example, recently made a SKr4.2bn real estate and construction deal in London, Madrid and Lisbon.

Until now the Swedish Government has taken a benign view of the tide of overseas investment. It remains committed to freeing movement of capital, labour, goods and services as laid down in the EC's 1992 strategy. It is also determined to bring education, research and development and environmental rules closer in line with standards prevailing in the EC. Ideally Sweden's political leaders would like to see their country enjoy the economic benefits of an open Europe without paying a political price that would threaten its famous neutrality. This may prove difficult if the EC-Efta talks fail.

Sweden's big employers take a much more hard-headed view of the future. The most influential of them, Mr Peter Wallenberg, who has a family stake in a large number of the corporations that are forging ahead with EC strategies, has never disguised his belief that Sweden must become a full EC member - the sooner the better. Mr Pehr Gyllenhammar, Volvo's chairman, has been more circumspect but his anointed successor Mr Christer Zetterberg wants to see Sweden inside the EC. Indeed, a consensus has emerged in Swedish manufacturing since 1987 that the country's future lies with western Europe.

Whether motivated by fear or hope, Swedish companies have made a rapid response to the challenge of 1992 in a remarkable range of industrial sectors. Clearly, their enthusiasm for the EC amounts to more than rhetoric.

* *Svenska Industrforetag infor EG 1992 by Pontus Braunerhjelm.*

\# *Growth and Integration in a Nordic Perspective by the Nordic Perspective Group.*

A European Central Bank

Time is ripe for institutional change

By James Meade

The recent dramatic events in Eastern Europe have opened up a prospect of free market national economics spreading over the whole of the Continent. The situation cries out for some institutional changes which might integrate the whole of Europe – north, south, east and west – into a single continental market economy. It is an opportunity which will not repeat itself.

The constituent members of any such grouping would be the European Community, the European Free Trade Association, and the eastern European countries as they transformed their centrally planned and controlled economies into free market economies. With this diverse group of countries the institutional bonds which might integrate their economies would have to be of a rather loose character, at least in the first instance. It would, for example, be totally unrealistic to plan now for the rapid introduction of a single currency to replace the various national currencies of all the constituent economies.

This raises an important problem. The countries of the EC already have arrangements for their single market and for other economic purposes which are much more stringent and detailed than would be feasible for many of the other European countries. Moreover, the EC countries plan to consider immediately the next stages proposed in the Delors report to bring them to a complete monetary and economic union. There are, indeed, some very powerful arguments in favour of this programme, arguments which are much strengthened by the prospect of complete German reunification. The sorry history of conflict and war between France, Germany, Italy, Spain and Britain underlines the desirability of final integration.

So the question arises whether there is any immediate institutional development which can integrate all the free market economies of Europe into an effective whole without prejudicing the simultaneous further and more rigid unification of the existing members of the EC. It is suggested that this could be done by the institution of a European Central Bank of which all the free market countries of Europe could become members without any commitment to further economic and financial integration but without any obstacle for any group of members to form a complete monetary and economic union among themselves. Thus the proposed European Central Bank should be regarded not as an alternative to the European Central Bank System proposed in the Delors report but rather as a development of that system. In broad outline the arrangements would be as follows.

The ECB would lend and borrow funds in terms of a new European unit of account which I will call the Europa. The central bank of each member country would be under an obligation to keep the value of its national currency in terms of the Europa at or near an agreed rate of exchange. The ECB would be set up in the first place by the payment into it of certain amounts of each member country's national currency in return for which each member central bank would hold Europa deposit liabilities of the ECB.

The basic objective of the ECB would be to control the rate of price inflation by means of its control over the monetary policies of the members' central banks. If the rate of rise of prices throughout Europe, reckoned in terms of the Europa, was rising above a planned rate, the ECB would raise its structure of interest rates. To preserve the exchange values of their national currencies in terms of the Europa, the member central banks would have to follow suit and to raise their own rates of interest in terms of their own national currencies. The ECB would thus dominate the monetary policies of the constituent countries and could thus be made responsible for controlling the general rate of inflation or prices reckoned in terms of the Europa.

Each member country would be required to set an agreed target rate of price inflation for its own economy in terms of its own national currency; and the target rate of Europa price inflation needed to guide the monetary policy of the ECB would be set at an appropriately weighted average of these national target inflation rates.

It is clear that at least for a number of years there would necessarily be considerable differences between national target rates of inflation. In particular some of the eastern European countries might at first have to face comparatively high rates of price inflation, while the EC countries might well be bringing their inflation rates under strict control. Rate of exchange between the currencies of the high-inflation and of the low-inflation members would need to change. Such changes could be planned ahead to occur gradually in view of divergences between a member's national rate of inflation and the agreed composite rate of Europa price inflation. By this means abrupt speculative disturbances could be greatly moderated.

This general structure need in no way impede the formation of a full monetary union between the countries of the EC which planned to move in that direction. They would plan more and more uniform low rates of price inflation in terms of their national currencies, would as a result need less and less exchange rate variation between their currencies, and would eventually institute a single currency for their group of countries. Such a currency would then form one, but by far the most dominant, currency in the ECB.

It may be argued that one cannot do everything at once, and that the formation of the ECB would divert attention from the further stages of building a full monetary union for the EC countries. But need it be so? After the Second World War we dealt with many things at the same time. May not the fluid state of affairs in Europe present another occasion when we should be prepared to design a new institutional structure.

Nobel prize-winning Professor Meade is drafting a blueprint for a European Central Bank which the Liberal Democrats propose to issue as a discussion paper.

LETTERS

The folly of closing UK's deep mines

From Mr P.E. Heathfield

Sir, Your leader ("A blind spot on gas imports", May 8) could have compared the Government's policy on gas imports with its policy on coal imports.

Gas imports are restricted in favour of developing the smaller, marginal UK gas fields while coal imports are encouraged in order to displace UK deep mine production.

Your argument is that the UK's gas fields should be tapped later, once the cost of gas has risen, because the reserves will still be there. This 'import cheap gas now and conserve UK gas for later' policy has some logic in terms of national energy security, though I must add that it makes no sense to flare off a premium fuel like gas in power stations.

But a Leader Column in your influential newspaper should point out equally the folly of closing deep mines in Britain while imported coal is cheaper.

To achieve the same policy in gas, the Government would have simultaneously to open the floodgates to imports and blow up half the UK's gas fields to get rid of the reserves; for closing deep mines prematurely destroys the remaining coal reserves.

The UK coal industry is close to becoming an endangered species partly because of the policy on gas but more now because the Department of Energy is insisting that British Coal close the 50 per cent of its remaining deep mines, which may show "negative cash flows" after financial reconstruction.

P.E. Heathfield,
Secretary, National Union of Mineworkers,
Holly Street, Sheffield,
South Yorkshire

Failings of the poll tax

From Mr William Low.

Sir, Samuel Brittan ("Blues' poll tax blues", May 3) notes that the figures released by Mr Michael Grylls MP violate Adam Smith's first maxim of taxation, which advocates proportionality between tax payment and ability to pay.

However, the work that I have done from a survey by Cheshire county council shows that use of local services rises with income and therefore the poll tax fails to meet the benefit principle of taxation, whereby people pay in proportion to benefits received from public services.

The survey shows that top earners (over £20,000) used 1.67 times more local services than those earning between £5,000 and £10,000 (in 1986-87). Designing a fair community charge which also accounts for the benefit principle requires a more than proportionate contribution by the better off.

The service use ratio implies that the "chairman" should pay at least 1.67 times as much as the "gasman". The ratio of relative earnings differentials to relative tax burdens in the figures cited by Samuel Brittan is 1.17, whereas proportionality implies a ratio of unity. So the poll tax is also regressive and fails to act as a community charge.

William Low,
Senior Research Fellow,
Local Government Centre,
University of Warwick,
Coventry

U-turns should not be ruled out

From Mr Tom Shucksmith

Sir, I thoroughly disagree with Mr Rory Montgomerie (Letters, May 3). Of course, there are alternatives to the current economic policy.

It would be possible, though embarrassing, for Mrs Margaret Thatcher to increase taxes. Why should high interest rates be the sole weapon against excess demand? How about replacing the community charge with a property-based tax.

What about encouraging respect for professional values and long-term investment rather than wheeler-dealing and investment speculation?

Tom Shucksmith,
Gatton Chalet, Quarry Hill, Park, Reigate, Surrey RH2

War Crimes Bill must be enacted

From Mr Eric Salama.

Sir, Your suggestion ("Government measure at risk in Lords", May 4) that the Government might abandon the War Crimes Bill due to opposition in the House of Lords is extremely worrying – both morally and constitutionally.

The moral arguments in favour of prosecuting alleged war criminals, irrespective of the time which has elapsed, have been well rehearsed and accepted in most other civilised countries. The point now, though, is that the House of Lords is seeking to make policy and that the Government, for the first time since it was elected in 1979, seems unwilling to impose its will on the unelected chamber.

The Director of Public Prosecutions, Sir Thomas Hetherington, has investigated the matter and has found at least three people resident in the UK against whom a case exists; and the Commons has voted overwhelmingly in favour of legislation by 348 to 123.

Why is a Government which has been willing to overturn the view of the Lords on several occasions since 1979 now seemingly unwilling to do the same in the case of the War Crimes Bill? Your report that Lord Belstead is privately resigned to losing the Bill arises not from a constitutional impasse but from a Government which feels less strongly about prosecuting war criminals than it does about abolishing the GLC.

Eric Salama,
23 Carysfort Road,
London N16

Warsaw Pact's collapse means Nato must deal directly with Moscow

From Professor R.R. Neild.

Sir, The statement in your editorial ("The quest for security", May 6), that there is little point in discussing a new European security structure at the CSCE meeting later this year, unless an agreement has first been reached on reductions in conventional forces, ignores the problems of reaching an agreement in Vienna now that the Warsaw Pact has collapsed.

Since the Soviet Union has, in effect, lost its allies, negotiation to balance the numbers of weapons possessed by the two alliances have lost their validity. Comparison now needs to be made between Nato on one side and the Soviet Union alone on the other.

This can be illustrated by the figures for tanks. The figures for main battle tanks in the area from the Atlantic to the Urals, which have been the starting point for the negotiations, are: Warsaw Pact about 50,000, Nato 22,000, giving a Warsaw Pact superiority of more than 2:1. The proposal on the table is that each side should have 20,000, with a proviso that the Soviet Union should not have more than 12,000 out of the Warsaw Pact total.

For the Soviet Union, 8,000 tanks – the quota for the rest of the Warsaw Pact – have gone west, metaphorically-speaking at least; and to conclude an agreement without changing the basis of calculation would mean accepting inferiority of 0.6:1 in place of superiority of 2:1.

It is a tall order to expect Mr Gorbachev to put that across to his military. There are two possible solutions:

- A change in the basis of calculation. This can be achieved by either a reduction in the Nato figures or an increase in the Soviet figures for the permitted numbers of tanks and other weapons.
- The abandonment of attempts to negotiate balanced reductions in arms in favour of a more relaxed approach based on making independent changes in force levels within a framework of east-west co-operation over political aims, economic exchanges and the introduction of confidence-building measures in the military field.

The choice needs to be based on a long view of the potential threats to European security and a clear understanding of the inevitability that arms negotiators and their supporting teams, conditioned to believe balance is good and inferiority is bad, will tend to pursue superiority and go for high levels of arms, with damaging political consequences, unless they are instructed to act otherwise.

Professor R.R. Neild,
Trinity College,
Cambridge CB2

FINANCIAL TIMES
Thursday May 10 1990

HOUSE OF COMMONS INQUIRY

Row resurfaces over sale of Rover

By Ralph Atkins in London and Lucy Kellaway in Brussels

A ROW *surrounding the sale of* Rover, the British vehicle group, resurfaced yesterday as a leaked copy of a House of Commons report fired speculation *that the British Government* was about to face further embarrassment over its handling of the deal.

Meanwhile, in Brussels, Labour Party *Euro-MPs called* on Sir Leon Brittan, the competition commissioner, to resign over his handling of the Rover Group case, accusing him of covering up for the British Government and dragging out the affair needlessly.

Mr Alan Donnelly, secretary of the Labour group, said Sir Leon should "remember that he was employed as a European commissioner, not as a British politician.

He should be administering European law and cracking *down on the sweeteners* – not playing up to his former colleagues in the Government."

A British newspaper article, based on a draft report by the *cross-party Trade and Industry* Select Committee, angered MPs because of the alleged contents – and also because of damage the leak may cause to future House of Commons' investigations.

The committee ordered a formal inquiry into the disclosure of parts of a report compiled by Mr Ken Warren, chairman of the committee and a Conservative MP.

According to the Guardian newspaper, the report condemned the Government for misleading parliament by not disclosing £38m ($63.5m) of "sweeteners" agreed with British Aerospace and for not informing the European Commission of the details of the deal.

But committee members stressed its deliberations were at a preliminary stage. The final version – which is not expected to be released until after the European Commission publishes its report on the affair – could be substantially different, particularly given the fierce political controversy surrounding the sale.

Mr Warren said The Guardian was "presenting statements as if they were decisions." He described the leak as "appalling" and said he would be writing to all the committee members, its staff and advisers asking formally whether they were responsible.

The opposition Labour Party tried to gain political capital out of the leak.

Mr Gordon Brown, the Labour Party's spokesman on trade and industry, said "charges of subterfuge" and of misleading the House of Commons must be answered directly by the ministers concerned and the Prime Minister.

The Department of Trade and Industry said it could not comment on an leaked draft. Lord Young, former Trade and Industry Minister, said nobody had "the faintest idea what the committee's going to say" and attacked its disclosure as "an appalling condemnation of the standards of public life."

Mr James Cran, a committee member and Conservative Party *MP, said* the Government had transfered to the private sector "a company which cost the British taxpayer £2bn in infusions of money."

UK car pricing to be investigated

By John Griffiths in London

THE level of car prices in the UK – seen by consumer *groups as being unfairly above* those ruling elsewhere in Europe – is to be investigated.

The investigation, by the UK Monopolies and Mergers Commission, will include the operation of the country's franchised dealer networks. It will also reopen an inquiry into the market in car parts.

Sir Gordon Borrie, director general of fair trading, said yesterday that the investigation followed expressions of concern by consumer associations "that car prices in the UK are higher than equivalent models sold in certain other countries in Europe." A previous inquiry into the £4bn ($6.6bn) a year UK car parts market in the early 1980s, led to car makers and importers being banned from forcing their franchised dealers to buy parts exclusively from them.

The announcement, which received a strong welcome from consumer groups, was met with dismay and denials of price-gouging from motor manufacturers and dealers. Shares in the UK motor sector were hit, with dealers and component groups recording falls of between 5 and 15 per cent.

*Sir Gordon said the investi*gation would enable the commission to consider whether price differences were caused by suppliers' exclusive distri*bution or other policies and, if* so, whether such policies needed to be changed.

HOW NEW CAR PRICES COMPARE ACROSS EUROPE

Car	Belgium	Denmark	West Germany	France	UK
Audi 80 E	11,134	10,330		13,384	15,899
Austin Metro	6,507	4,762		5,658	9,041
BMW 316i	10,396	8,926	10,919	11,071	13,218
Citroen CX 22TRS	11,768	8,982	13,012	12,361	14,282
Fiat Tipo 1400	6,910	5,416	7,359	7,061	9,143
Ford Orion 1400	7,442		8,197	7,837	10,799
Mercedes 190D	16,355	15,595	14,450	18,564	18,238
Peugeot 205 1100	5,821	4,319†	6,352	6,323	7,586
Renault 19	8,789	6,390	9,543*	9,493	11,310
Toyota Corolla 1300	7,226	5,472	8,312*	8,087	10,574

*Price per model, per country, net of taxes, in European currency units, at June 1989 † Slight technical difference from other cars. * With catalytic converter*

The investigation appears to have been triggered partly by a report on new car price variations from the Brussels-based Bureau Européene des Unions de Consommateurs, the main European consumers union grouping most national consumers' associations.

The Brussels report, published late last year, concluded that average new car price levels, net of taxes, varied by up to 70 per cent between the cheapest and dearest EC markets, and by up to 128 per cent when various taxes, such as VAT, were taken into account.

*EC rules stipulate that maxi*mum pre-tax price variation between member states should not exceed 18 per cent, but they specifically exclude those states with penally high national taxes on cars such as Denmark and Greece. However, the BEUC report says that on average cars in the UK still cost 31 per cent more than in Belgium, one of the cheapest "normal" markets.

The Society of Motor Manufacturers and Traders said that the price differentials reported by the BEUC were "greatly exaggerated," and that it was "premature" for the UK to review the franchise dealer system unilaterally when it was known that the EC Competition Directorate was considering a similar move at a European level.

The SMMT added that it did *not believe that the franchise* dealer system in itself caused price differentials "as the system exists in all territories in the EC."

The outcome of the MMC's investigation seems certain to be watched closely in Brussels. Should it conclude that UK prices are unwarrantedly high, and the existing system of selling new cars through exclusive franchise arrangements a contributing factor, it could have important implications for EC policy towards the operation of new car markets post-1995, when the current permission for EC-wide exclusive car franchise systems expires.

A decision to dismantle the franchised dealer system, *still* regarded as extremely unlikely because of the complexity of cars and their need for sophisticated after-sales care, could lead to a market "free-for-all."

The MMC has been asked to complete its investigation and report back by August 1991.

Background, Page 14; London Stock Exchange, Page 37

Halt urged to US high-tech takeovers

By Louise Kehoe in San Francisco

A MORATORIUM on foreign acquisitions of US high technology companies should be imposed, a top US industry official proposed in congressional testimony yesterday.

The proposal to block foreign takeovers comes amid growing US concern over Japanese takeovers in the US semiconductor equipment and materials industries. It represents the strongest public statement yet by an industry official.

The moratorium on foreign acquisitions should apply to "industries having negative trade balances, until the cost of capital is less than or equal to that available to foreign competitors, or foreign governments make capital freely available to US industry on an equitable basis," said Dr Sam Harrell, president of Semi/Sematech.

He was addressing the House of Representatives sub-committee on commerce, consumer protection and competitiveness.

Semi/Sematech is a group of 125 US-owned companies formed two years ago to forge links between equipment and materials suppliers and Sematech, the US semiconductor industry research consortium.

The group represents about 90 per cent of worldwide sales by US companies of semiconductor equipment and materials products.

At least 15 member compa*nies had been acquired by for*eign interests over the past two years, Dr Harrell said.

US suppliers of sophisticated production equipment and processing materials to makers of semiconductor chips are seen as the key to maintaining US international competitiveness in high technology.

They represent the foundation on which the entire $230bn US electronics industry is *built*, industry executives claim.

Semi/Sematech's proposal for a moratorium is none the less controversial within the US *semiconductor industry*.

The Semiconductor Equipment and Materials International (Semi), an international trade group whose membership overlaps with that of Semi/Sematech but includes Japanese and European companies, opposes any restrictions or curbs on capital flow.

Iran to settle financial disputes with US

By Peter Riddell in Washington and Laura Raun in Amsterdam

IRAN said yesterday it would pay the US a total of $105m under an agreement to settle a large number of small-scale financial disputes.

The deal has not been officially confirmed by the US, although officials in Washington indicated that agreement was virtually complete. An agreement would also have to be formally ratified by the Iran-US Claims Tribunal in The Hague.

Both sides said that a settlement had nothing to do with the recent release of two American hostages in Lebanon or with the fate of other hostages.

The Iranian payment would be to settle small claims, each reportedly under $250,000, for property seized, contracts voided and debts unpaid since the Iranian revolution of 1979. Other multi-billion dollar cases are still outstanding.

Tehran Radio said that as part of the agreement, Iran would pay $40m to settle a package of 2,784 US claims.

Iran would also pay $60m to settle 400 claims outside the jurisdiction of the tribunal in The Hague. It did not clarify the remaining $5m payment.

The radio, monitored in Nicosia, quoted Mr Ali Nobari, Iran's representative at the tribunal, saying that the agreement had nothing to do with US hostages. He said it was reached "in the normal framework of the negotiations and has no relation with political and economic issues including. . .hostages."

US officials involved in the talks said last night that the deal might help pave the way for settling the much larger financial cases, such as the Iranian claim for undelivered military equipment.

The claims tribunal in The Hague was set up in 1981 under an agreement which freed 52 American hostages who had been seized at the US embassy in Tehran. It is the only forum for official talks between the two countries, which broke diplomatic relations in 1980.

While President Bush publicly thanked Iran and Syria for their involvement in the release of the two American hostages last month, Washington and Tehran are still a long way from establishing anything like normal relations.

While President Bush has spoken of "goodwill begetting goodwill," Washington does not expect an imminent deal to remove remaining obstacles.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	21	70	Dallas †	S	20	68	Madeira	C	18	64	Prague	F	22	72
Algiers	C	24	75	Dublin	F	13	55	Madrid	S	22	72	Reykjavik	C	6	43
Amsterdam	F	18	64	Dubrovnik	S	21	70	Majorca	S	23	73	Rhodes	S	22	72
Athens	F	20	68	Edinburgh	C	11	52	Malaga	R	16	61	Rio de Janeiro		–	–
Bahrain	S	32	90	Faro	R	19	66	Malta	F	21	70	Rome	S	10	50
Barcelona	S	20	68	Florence	F	22	72	Manchester	F	12	54	Salzburg	F	22	72
Belfast	C	12	54	Frankfurt	S	21	70	Melbourne	F	15	59	S'Francisco †	S	12	54
Belgrade	S	23	73	Geneva	S	22	72	Mexico City		–	–	Santiago		–	–
Berlin	F	23	73	Gibraltar	C	17	63	Miami †	F	26	79	Seoul	C	18	64
Biarritz	R	17	63	Glasgow	C	11	52	Milan	S	24	75	Singapore	F	32	90
Birmingham	C	10	50	Guernsey	C	12	54	Montreal †		–	–	Stockholm	S	17	63
Blackpool	S	13	55	Helsinki	S	15	59	Moscow	F	15	59	Strasbourg	F	21	70
Bombay	S	36	97	Hong Kong	F	27	81	Munich	F	21	70	Sydney	C	18	64
Bordeaux	C	18	64	Innsbruck	F	21	70	Nairobi		–	–	Tangier	C	17	63
Boulogne	F	15	59	Inverness	C	11	52	Naples	S	20	68	Tel Aviv	F	23	73
Bristol	C	12	54	Isle of Man	S	13	55	Nassau		–	–	Tenerife	Dr	20	68
Brussels	S	20	68	Istanbul	S	20	68	Newcastle	C	13	55	Tokyo	C	20	68
Buenos Aires		–	–	Jersey	C	15	59	New Delhi	S	31	88	Toronto †		–	–
Budapest	F	25	77	Johannesburg	S	19	66	New York †	F	13	55	Tunis	S	21	70
Cairo	S	28	82	Las Palmas	F	24	75	Nice	S	19	66	Valencia	F	20	68
Cape Town	S	19	66	Leeds	C	13	55	Nicosia	F	23	73	Venice	S	23	73
Cardiff	C	14	57	Lisbon	S	21	70	Oporto	F	24	75	Vienna	S	23	73
Chicago †	F	17	63	Locarno	S	23	73	Oslo	S	21	70	Warsaw	S	24	75
Cologne	T	17	63	London	C	14	57	Paris	F	21	70	Washington †	S	17	63
Copenhagen	F	22	72	Los Angeles †	C	15	59	Peking		–	–	Wellington	S	18	64
Corfu	S	22	72	Luxembourg	T	14	57	Perth	S	21	70	Zurich	S	21	70

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Soviet military criticised

Continued from Page 1

early to bury both the (Communist) Party and our Motherland."

Parades through all three capitals of the rebellious Baltic republics – Estonia, Latvia and Lithuania – were notable above all for the lack of enthusiasm from the crowds, overwhelmingly Russian-speaking, with native residents largely boycotting the events.

Only in Riga, the Latvian capital, did Mr Ivars Godmanis, the newly elected Prime Minister, deliberately attend, in a gesture of reconciliation.

● John Lloyd reports from London: Lithuania faces an economic crisis within weeks if the Soviet blockade of oil and other raw materials continues, Mrs Kazimiera Prunskiene, the republic's Prime Minister, said yesterday.

The lack of fuel meant that light industry, transport and other branches of the economy would come to a halt, she told a press conference after an 80-minute meeting in London with Mrs Margaret Thatcher, the UK Prime Minister.

"By May 25 we will have a crisis, because our reserves of crude oil will run out by then," she said.

The Lithuanian Premier said she believed that the main western leaders now supported Lithuania's negotiating position.

Albania to allow travel abroad and freedom of religion

By Judy Dempsey in London

THE ALBANIAN authorities yesterday announced a package of radical reforms aimed at improving their dismal human rights record and at bringing the country out of its self-imposed isolation.

The measures, announced to parliament by Mr Manush Myftiu, the Deputy Prime Minister, will allow Albanian citizens to travel abroad, a right which has been denied them since the ruling Albanian Labour (Communist) Party assumed power in 1946.

Mr Myftiu also lifted a ban on religious propaganda and *abolished the death penalty* for defectors.

The authorities closed down all churches and mosques in 1967, and this was promptly *followed* by a boast by the then dictator, Mr Enver Hoxha, that Albania had become the "first atheist state."

Moslems, who make up 70 per cent of the population, have nevertheless continued to practice their religion.

Albania has spent months criticising the reforms which swept across eastern Europe and Mr Myftiu was yesterday at pains to explain the changes. "It is our constant duty to enhance the care of human rights . . . this is in conformity with practice because such acts have never been...prosecuted until now," he said.

"In our country the state is separated from religion and the question of religious belief is a matter of conscience for every individual."

The measures effectively undermine policies pursued by Mr Hoxha, the founder of the Albanian Labour Party, who remained a staunch defender of Stalin until his death in April 1985.

But so far, Mr Ramiz Alia, the party leader, has remained reluctant to attack Mr Hoxha by name, or for that matter the entrenched old guard.

Instead, he had focused on criticising excessive bureaucracy and foot-dragging by party officials in his attempts to implement cautious economic reforms started earlier this year.

In foreign policy, Mr Alia last month stated that he wished to restore diplomatic relations with the US and the Soviet Union. And on Tuesday, Mr Adil Carcani, the Prime Minister, announced that Albania intended to join the 35-member European Conference on Security and Cooperation in Europe (CSCE), just before Mr Perez de Cuellar, the UN Secretary General, begins a visit to Tirana tomorrow.

● Bulgaria's broad-based opposition will return land to the peasants, introduce a market economy and guarantee rights for all its minorities if it is elected on June 10. But such promises may not be enough for it to win the first free elec*tion for over 45 years.* *Page 3*

Report on failed bank lists errors

By Ian Hamilton Fazey and Sue Stuart in London

THE ISLE of Man Government yesterday published the Bank of England report into the island's failure to properly supervise its financial industry in the seven years before the crash in 1982 of Savings and Investment Bank.

The bank failed with £42m ($70m) belonging to 3,000 depositors.

The report reveals a catalogue of mistakes, with insufficient checks made on applicants for banking licences, inadequate rules to protect investors and laxity in enforcing what rules there were.

Banks filed their accounts late, but without reprimand. When one was asked to *increase the capital it retained* in the business, no one checked to see if it had done so. Others flouted instructions from the island's government. Inquiries went unanswered.

Publication of the report follows the collapse of the trial for alleged fraud and related offences of eight owners, managers or agents of the bank last month because of delays – mainly caused by the Manx Government of 1981-86 – in bringing the case. The report reveals how politically embarrassing disclosure of the facts would have been.

Report on banking supervision in the Isle of Man, December 1982. Central Reference Library, Douglas, Isle of Man. £1.25.

THE LEX COLUMN

The Bank's faith in interest rates

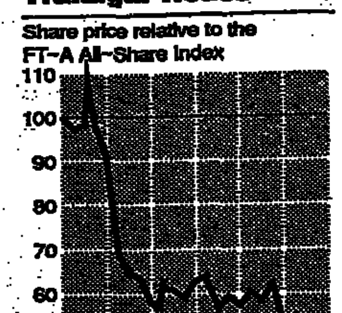
The intellectual justification for the government's "one club" policy of high interest rates is spelt out today in the Bank of England's Quarterly Bulletin. Higher interest rates, says the Bank, are more effective in restricting demand than they used to be. One reason is the growth of personal sector debt, following the liberalisation of the mortgage market. In addition, those most in debt – aged between 25 and 30 – have a greater propensity to consume than those with savings.

It also helps that the corporate sector has an income gearing ratio of over 30 per cent, the highest yet recorded. Such levels have in the past led companies to destock and cut back on investment, though the *Bank feels the effect may be* limited this time by high profitability and the inverted yield curve.

The problem is that restricting demand may no longer work so well against inflation. Workers demand wage rises to compensate them for the increase in mortgage rates: with labour relatively scarce, employers grant the increases. The government needs a sharp rise in unemployment for its anti-inflationary strategy to work. This will result in part from the squeeze on margins caused by interest rates and labour costs, as illustrated by the 800 redundancies at Rush & Tompkins yesterday. But the process will be slow; and it will be a correspondingly long haul before either the underlying inflation rate or the trade deficit show a substantial improvement.

Trafalgar House

Share price relative to the FT-A All-Share Index



SK Beecham

The market reaction to SmithKline Beecham's first set of quarterly figures was predictably muted, since no-one had the least idea of what to expect. *In the event*, the growth in pre-tax profits – around 14 per cent on a pro forma basis, at constant exchange rates – was better *than most forecasts. But the* first and fourth quarters look set to be seasonally the strongest; and although the rise of three percentage points in pharmaceutical margins is apparently sustainable for the year as a whole, it is helped by proportionally lower capital expenditure and R & D.

Then again, the 39 per cent rise in pharmaceutical profits apparently owes little as yet to cost savings and a good deal to the efforts of the combined sales force. The central question about SB remains the same: how far the profit *increases of the next year* or two will be organic and thus sustainable, and how far the one-off effect of merger. The shares' 14 per cent underper*formance since the start of the* year is due to worries over the merging of the cultures, the shape of the balance sheet and the speed of the disposal pro*gramme. The last matters* hardly at all; the first matters a great deal, but there is still no hard evidence on it. At 472p the shares are on 11 times earnings, which is hardly asking much of the longer-term success of the master plan.

Brent Walker

Is Brent Walker in the same awkward, over-geared fix as Mecca Leisure? The figure that jumps off the page in Brent Walker's annual results is the £788m of net debt on the balance sheet, plus another £500m tucked away in unconsolidated vehicles. Behind yesterday's 7p fall in the shares to 295p lies the obvious question of whether Brent Walker can maintain borrowing at these levels. Granted, *of that* £788m, £600m is capped at interest rates of 9.7 per cent. But even on that basis, when capitalised interest is included the group's *interest bill looks like jumping* from £56m in 1989 to perhaps as much as £87m this year.

This would not look so daunting if the £118m of operating profits Brent Walker showed for 1989 all came from recession-proof stuff, like book-making. In fact, of the £118m more than 30 per cent stemmed from selling pubs, brewery-related land and other odds and ends of real estate. At the best of times, let alone the current bear market for UK property, profits like these are low quality; and a question mark must stand over Brent Walker's chances of repeating them next year. As for its 1,700 *betting shops*, cash-generative they may be; but they also have £350m of William Hill Group debt to cope with.

Trafalgar House

A long-term case for being bullish about Trafalgar House is easily made, at varying levels of sophistication. The 50 per cent profits advance in 1990's first half at its contracting division, including Trollope & Colls and John Brown, was a reminder that Trafalgar is still one of the great infrastructural plays for the 1990s. As for UK property, if this year and next are as bad as 1974 the result could be the virtual extinction of the quoted property development sector. Hence investors who wanted to buy shares in a sizeable property developer would have to opt for one of the conglomerates: Trafalgar, or P&O, or Ladbroke.

Short-term, though, Trafalgar's shares will probably not go far. Assuming yesterday's 10 per cent rise in the interim dividend is repeated at the full year, the prospective yield of 9 per cent is some support, especially given the continued good performance from cruise shipping and hotels. But it is hard to see Trafalgar avoiding a fall of up to 5 per cent in earnings per share this year, given the *bleak outlook for UK house* and commercial property sales.

Jefferson Smurfit

Despite Jefferson Smurfit's impressive earnings record and its strong position in recycled paper, there are still nagging doubts about the effects of last year's US restructuring. The $1.85bn of debt may be off-balance sheet and non-recourse. But because a leveraged buy-out has worked once does not mean it must work again. And implicit in the restructuring decision is the belief that the $1bn of cash could be better invested elsewhere. So far, Jefferson has only spent a fraction; it remains to be seen if it spends wisely.

Pre-tax profits will be lower this year, since Smurfit now only owns 50 per cent of the US operations. But earnings per share should be steady, since the company will benefit from a low Irish tax charge on interest received while the US partnership gets tax relief on the US interest paid. But the prospective p/e of 12, a premium to the sector, looks high enough for the risks.

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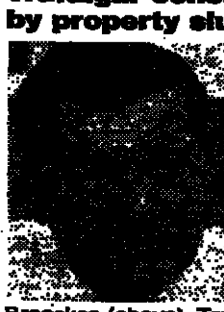
INSIDE

Stora defends German purchase

Bo Berggren, president of the Swedish pulp and paper group, Stora, was at pains yesterday to defend his company's purchase two weeks ago of the West German conglomerate Feldmühle Nobel. At Stora's annual meeting in Falun, he produced a financial analysis of the DM4bn ($2.41bn) deal to squash criticism that it would reduce profits through added debts. Within five years, he said, the deal would be saving Stora between SKr600m and SKr800m annually. **Page 25**

Trafalgar constrained by property slump



Interim pre-tax profits at Trafalgar House, the shipping, property and construction group which owns the QE2 and London's Ritz Hotel, were held back by a depressed UK commercial property market. However, the company still edged ahead from £114m to £117m ($195m) before tax. Sir Nigel Broackes (above), Trafalgar's chairman, pointed out that the group was sheltered from some of the domestic economic storms as nearly half its sales were international. **Page 30**

Change of tyres at pole position

Restructuring has been going on at such a pace in the world tyre industry that even the biggest surviving players are looking uneasily over their shoulders. John Griffiths starts a series of articles on the global industry by looking at Goodyear Tire & Rubber which faces demotion from the world number one position in a matter of weeks because of the $1.5bn acquisition of another US group, Uniroyal Goodrich, by Groupe Michelin of France. **Page 24**

Brokers unmoved

George Walker, the pugnacious chairman of UK leisure and property group Brent Walker, said yesterday he was baffled by the reaction of brokers to his company's 1989 results. Brent Walker announced a pre-tax profit well ahead of analysts forecasts, but failed to stimulate shares across the troubled leisure sector. Despite some initial buoyancy, reports David Churchill, Brent Walker's shares closed down 7p on the day at 295p. **Page 30**

Technology at 'market-led' IBM

In the mid-1980s, John Akers (left), chairman and chief executive, of International Business Machines shook up the way the company does business. In effect, the company switched to become "market led" rather than "technology driven". But do IBM's dyed-in-the-wool technologists feel left out of the new order? In the last article of a series, FT writers look inside the R&D labs of the world's biggest computer maker. **Page 35**

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bayer-Verein	392	+	12
Herlitz	373	+	13
Leifheit	695	+	25
Springer	800	+	15
Falls			
Hamburg Elekt	214	−	10
Sud-Chemie	710	−	40
NEW YORK ($)			
Rises			
Gen. Motors	46⅞	+	¼
Mattel	24	+	¼
Falls			
Fed. Express	52½	−	1⅛
Sotheby's	16⅞	−	2⅝
Stone Cont.	18½	−	⅞
Woolworth (FW)	61	−	⅝

New York prices at 12.30.

PARIS (FFr)			
Rises			
BNP	497.5	+	21.4
Printemps	628	+	25
UFB Locabail	478	+	19
Falls			
Damar	636	−	19
Havas	651	−	44
Skis Rossi	1052	−	28
TOKYO (Yen)			
Rises			
Kayo Iron	1050	+	121
Misawa Resort	3650	+	440
Rikon Kokl	1590	+	190
Utoku Express	1720	+	190
Wakachiku Cons	1730	+	220
Yomiuri Land	2880	+	380

LONDON (Pence)							
Rises				Davies & New	375	−	25
Blenheim Ex.	825	+	10	Evans Halshaw	185	−	9
Fisons	338	+	7	GKN	397	−	7
Mersey Docks	202	+	46	GUS A	944	−	23
Utd.Biscuits	325	+	3	Lloyds	265	−	10
Falls				Reuters	1104	−	16
BOC	587	−	13	Sketchley	206	−	30
BP	315	−	5	SmithKline B.	472	−	6
Barclays	523	−	17	Trafalgar Hse	286	−	10
Brit.Aerospace	502	−	7				
Coats (T.)	34	−	5				

Citicorp sees lower rating from Moody's

By **Alan Friedman** in New York

MR JOHN REED, chairman of Citicorp, the biggest banking group in the US, said yesterday he expects Citicorp's credit rating to be downgraded by Moody's Investor Service, the US rating agency.

Mr Reed's comments came three weeks after Moody's placed Citicorp under review for a possible downgrading. Less than two weeks ago, Standard & Poor's, the other major rating service, cited the deteriorating quality of Citicorp's real estate and leveraged buy-out loan portfolios. It lowered Citicorp's $30bn of senior debt to AA minus from AA.

Moody's current rating of Citicorp's long-term debt is A1, which is already roughly one notch below the newly lowered AA minus level assigned by S&P. When S&P lowered Citicorp's rating in late April, Citicorp said it was disappointed, but dismissed the move as "a non-event in the market." Yesterday Mr Reed said he couldn't complain about the rating agency's decision.

"I said to the rating services that if they wanted to signal that there has been a deterioration in the quality of assets then that's true. There has been a deterioration." Asked about the Moody's review he said: "My guess is that Moody's will downgrade us to some extent."

Sources at Citicorp have indicated that they expect the bank's non-performing commercial real estate loans to increase by $500m to $600m this year. Citicorp is the largest commercial property lender in the US. At the end of the first quarter Citicorp's non-performing real estate loans totalled $1.3bn of the bank's $12.6bn portfolio. There will also be some real-estate write-offs.

Yesterday, Mr Reed stressed that he expects that the bank will eventually recover real estate loans that are being written off. He said he expected the real estate slump to have a short-term impact on earnings and, citing the experience of the slump in the early 1970s, described the write-offs as having "a high chance of recovery."

Mr Reed said he had toured the US last week and called on 36 real estate customers. "My guess is that prices are weak and getting weaker. The market has not plateaued yet. We're going to continue to feel the pressure of this and we expect to take more write-offs on the real estate portfolio." He stressed that he did not want to abandon real estate customers.

Citicorp's net income declined by 56 per cent in the first quarter of the current year, to $231m. Its 1989 net profit sank to $498m – against a 1988 net of $1.86bn – after adding $1bn to reserves against possible loan losses in less developing countries.

VW's first-quarter profits rise by 5.5%

By **Andrew Fisher** in Wolfsburg

NET PROFITS of Volkswagen, the West German car group, improved by 5.5 per cent to DM191m ($115.2m) in the first quarter of 1990, and Mr Carl Hahn, chief executive, said yesterday that competition, especially on prices, was getting tougher in Europe.

He declined to give a full-year profits' forecast. But "VW would have to work hard this year to improve on its 1989 result," he said.

Group net profits jumped last year by 33 per cent to DM1.04bn, on turnover up by 10.4 per cent to DM65.4bn. Earnings per share were DM61 (DM46) and the dividend on ordinary shares is being increased by DM1 to DM11.

Mr Hahn told VW's annual press conference that the group would have to step up its production capacity in order to keep pace with growing sales opportunities in eastern Europe. Despite considerable investment plans in Spain, where it owns the SEAT carmaker, and in East Germany, VW's need for production capacity "does not yet correspond with the new dimensions," he said.

He said talks on possible co-operation with the Skoda in Czechoslovakia were continuing. Other car groups were also interested in working with Skoda, he said: "But we have made them a good offer." Talks were now at "a very delicate stage."

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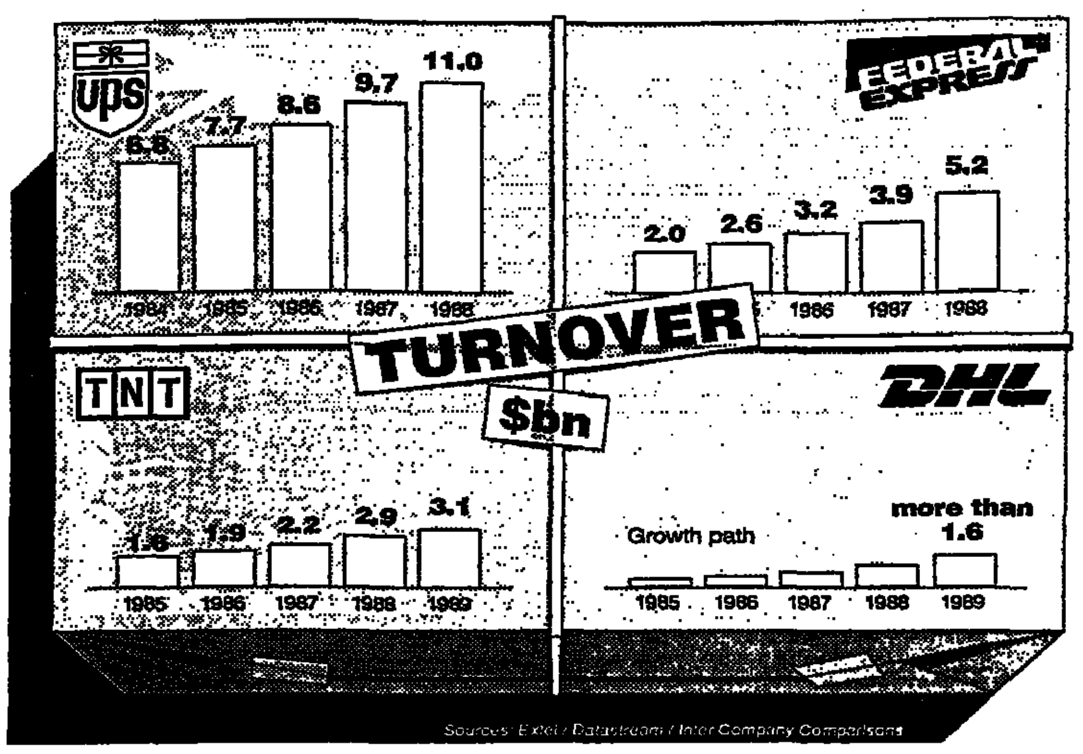


A high-stakes game of pass the parcel

Charles Leadbeater, Robert Thomson and Rod Oram on competition among couriers

Each night at European airports employees of the world's four leading international courier companies feverishly sort parcels and documents destined for desks and door mats the following day.

The pace of work is intense. The competition in the industry is ferocious. There is going to be no let up.

The disclosure that Lufthansa, the West German airline, Japanese Airlines and Nissho Iwai, the Japanese trading house, may be on the verge of taking a majority stake in DHL, the market leader in document handling, will only increase the pressure.

The deal would give DHL a significant foothold in Japan, just before the country's planned deregulation of its parcel delivery market. That could be the basis for expanding DHL's presence in the Pacific Rim, which will be an important growth market for express courier services in the 1990s, partly because of the low penetration of electronic mail and facsimile machines.

But the alliance's significance could extend well beyond that. DHL's network of 1,000 offices in 183 countries servicing 550,000 customers would be brought together with the two airlines' capacity to carry large quantities of documents, parcels and freights over trunk routes.

Competition among the airlines in the cargo business is intensifying. Air France signalled its intention with its bid to control for UTA, the French domestic carrier, which also has significant cargo operations. The deal, which is being examined by the European Commission, would probably make Air France the largest cargo handling passenger airline.

Lufthansa and JAL's talks with DHL follow the announcement last month that along with Air France and Cathay Pacific they will set up an international cargo information network to improve the brokerage of airline cargo space.

Mr Martin White, a consultant who follows the industry for accountants Deloitte Coopers said: "The airlines need to make sure they make best use of the capacity they are installing. Buying into DHL would ensure that."

Higher volumes of cargo, parcels and documents would allow the airlines to fully utilise their aircraft and maximise returns from freight operations. Aircraft might even fly double shifts, carrying passengers by day and freight by night, significantly increasing capital productivity.

There would be savings for both sides in aircraft procurement, maintenance and servicing. They could also share some of the costs of developing the expensive computer systems which allocate space on aircraft and track parcels to their destination.

The tie up has considerable attractions for DHL. The dominant position it has held for 20 years in the express documents business is under attack from two sources. The other courier companies, battered by competition in the parcels end of the business, are attempting to escape by attacking DHL's market. Electronic mail and facsimile machines are eating into this market from the other side.

DHL has found it an uphill struggle to force its way into the parcels business against three competitors. By vertical integration with the airlines, which specialise in handling heavier cargo, DHL will be in a much strong position to deal with parcels.

Mr White said: "The key in this industry is to spread heavy fixed costs in aircraft, terminals, vehicles and computer systems over high volumes. This should secure high volumes for both parties."

The prospective deal is a sign that competition is set to intensify and it could be accompanied by a restructuring of ownership.

The industry has seen many acquisitions in the last couple of years. All the big four are expanding their European networks through the purchase of smaller national delivery companies. In the last 18 months UPS, which has been the slowest to develop its European operations, has bought a clutch of companies in the UK, Spain and Italy.

The DHL deal with the Lufthansa-JAL consortium is a direct response to Federal Express's $895m purchase last year of Tiger International and its Flying Tigers subsidiary, which was then the world's largest cargo airline. That acquisition, which brought a fleet of Boeing 747s and landing slots at Japanese airports, was a precursor of the sort of vertical integration envisaged by the DHL deal.

Attention may now focus on further links between airlines and courier companies. The industry is awash with rumours. Three months ago British Airways had to deny a persistent rumour that it was in talks with Federal Express. There is also speculation over what Air France may do with its growing cargo capacity. From the other side some of the courier companies may be put under growing pressure to forge links with an airline. UPS, which has strong ground delivery systems, buys its European air transport from contractors.

As the top four courier services have expanded into Europe so margins and returns have been cut. Mr White said: "Very few of them are making much money in Europe. It is unlikely any will go out of business, but some may be forced to withdraw from competition in some markets."

Analysts believe TNT, which has a strong position in the Pacific Rim, from its Australian base, can withstand the competition. In the UK and Europe it has diversified away from courier services into contract distribution and freight to broaden the base from which it competes.

Federal Express is still trying to come to terms with its Flying Tigers acquisition. And it has been spending heavily on developing its services abroad through acquisitions and start ups. Coupled with the problems at Flying Tiger, the investment in globalisation has wreaked havoc on the company's profits.

Analysts estimate Federal Express's after-tax foreign losses are running at about $150m in the fiscal year ending this month and are likely to be around $100m next year.

UPS gives no detailed financial figures but "it is probably losing as much overseas as Federal is on a much smaller revenues base," said Mr Paul Schlesinger, an analyst with Donaldson Lufkin & Jenrette in New York. Of the two companies, UPS has the deeper pockets for international expansion. Its total revenues are around $12bn a year against Federal Express's $7bn and its domestic US parcel business is far more lucrative.

Whatever becomes of its rivals, DHL's talks with the JAL consortium are a clear signal that it, at any rate, has no intention of succumbing to competition.

Hochtief seen as potential buyer of Rush & Tompkins

By **Andrew Taylor**, Construction Correspondent

HOCHTIEF, the West German contractor, is understood to be among several overseas companies to have expressed interest in buying all or part of Rush & Tompkins, the failed UK commercial property developer and contractor.

Senior managers at Rush & Tompkins had also proposed mounting a management buy-out, the group's receivers said yesterday. They also revealed that Rush & Tompkins owed banks £300m ($504m) when it collapsed at the end of last month.

Mr Christopher Morris, one of three joint receivers appointed from Touche Ross, the accountancy firm, warned that a fall in property prices meant some bank lenders were likely to incur losses when developments were sold.

He said 800 of the group's 1,750 UK employees were being made redundant, including the group's managing director Mr Nigel Dunnett, and other senior executives.

A sale is likely to be complicated, given the large number of joint venture developments which have been undertaken by Rush & Tompkins and on which it owes £200m.

Another £100m is owed directly by the group to the banks, said the receivers.

Mr Morris said it was possible some Rush & Tompkins joint venture partners could join the group in receivership when the future of individual developments was determined.

Three banks – Lloyds, Citibank and British Linen Bank – have separately put receivers into three of the group's 50 UK joint venture developments.

Mr Morris warned that some contractors which had not been paid for work done on developments could also be in jeopardy. The group owed trade creditors tens of millions of pounds in addition to bank loans.

"I am not prepared at this stage to say they will get nothing but I am not sanguine about their position," said Mr Morris. It was almost certain shareholders would get nothing, added Mr Morris.

Federated Housing, the troubled UK housebuilder, is to meet its bankers today in talks which could determine the future of the group. The company's shares were suspended at 5p at the beginning of April.

Federated made pre-tax profits of £6.1m ($9.8m) in 1988. It has warned that it made a substantial loss last year, including substantial write downs of its land bank.

Several developers have failed so far this year, including Rush & Tompkins, Declan Kelly, Brims Holdings and J M Jones. A number of other developers have had their shares suspended.

Write-offs of 25% proposed at B&C

By **Richard Waters and Terry Dodsworth** in London

BANKS and some of the other lenders to British & Commonwealth, the troubled financial services group, face write-downs totalling £175m ($292m) if they accept a rescue plan being circulated among the group's main creditors.

Other lenders are also being asked to take substantial losses on their investments in B&C, although not as large as the 25 per cent write-downs proposed for the banks and some loan stock and bond holders.

The proposals are contained in a draft reorganisation plan circulated by S G Warburg, the merchant bank appointed by B&C following its £550m provision against losses at its Atlantic Computers subsidiary which have threatened the solvency of the group. Warburg is understood to have suggested a break-up of the group over the next three years to raise money for creditors who have lent around £1bn.

The largest group of lenders, with £700m outstanding, has been asked to take the 25 per cent write-down. This is likely to lead to a heated battle between different groups of creditors over coming days.

The banks seem prepared to write down their B&C debt, but on condition that part of it would be converted into preference shares. This was a device used widely during the property collapse of the early 1970s, when banks took preference shares in distressed property companies. These were largely repaid later.

The success of Warburg's plan also depends heavily on the reaction of the convertible loan stock holders, who have advanced £320m to the group. Some convertible holders are attempting to call in their debt – which could trigger B&C's liquidation.

Warburg wants to complete negotiations quickly to head off such dissident groups and believes creditors and shareholders will benefit more from an ordered winding down than a forced move into liquidation.

CNCP signals start of Canada telecoms battle

By Bernard Simon in Toronto

A 140-YEAR-OLD former railway telegraph company has, with a change in name, signalled the start of a battle which is expected to reshape Canada's tightly regulated telecommunications market.

CNCP, an acronym of Canada's two venerable railway companies, said yesterday it was renaming itself Unitel Telecommunications, and confirmed that it would soon apply to regulatory authorities for permission to compete in the public, long-distance telephone business.

Unitel hopes to persuade the Canadian Radio-television and Telecommunications Commission (CRTC) to end the long-distance monopoly held by Telecom Canada, a consortium of 10 utilities, the biggest of which is Bell Canada.

Bell, a subsidiary of the Montreal conglomerate BCE whose other interests include equipment supplier Northern Telecom, also has a monopoly on local telephone service in most of Ontario and Quebec, the two biggest markets in the country.

Unitel yesterday kicked off what promises to be a protracted public relations struggle with Bell by describing itself as "Canada's national telecommunications company" and saying that it is "the strongest viable alternative to the telephone companies."

Unitel already provides national, private-line voice and data services, but the CRTC turned down its application in 1985 to enter the public long-distance telephone market. It said it plans to invest C$400m (US$345m) in long-distance voice service.

Canadian National Railways sold its stake in CNCP in 1988 to its partner, Canadian Pacific (CP) of Montreal. CP in turn turned over a 40 per cent interest last September to Rogers Communications, Canada's biggest cable television operator.

Rogers' participation in Unitel is part of aggressive efforts to diversify from cable TV into the broader telecommunications field.

Its foothold in the long-distance telephone market, assuming Unitel's application succeeds, is expected to foreshadow a move into local telephone service.

Rogers is investing heavily in a fibre-optic cable network which could eventually be used to carry both cable TV and telephone signals.

Although Bell says it has no objection in principle to competition, it is likely to oppose strenuously Unitel's licence application. Bell estimates its long-distance revenues subsidise local services to the tune of about C$2bn a year.

Efforts to correct the imbalance by charging for local calls have met with strong consumer and political resistance.

Bell, which has an extensive fibre-optic network of its own, has hinted that it may retaliate against Rogers by moving into cable TV transmission.

It has also tried to spike Unitel's guns by lowering long-distance charges by as much as 51 per cent in the past three years.

One analyst estimates that even if Unitel's latest long-distance application succeeds, it will be three to four years before it starts service.

Falling mineral prices hit Bond International Gold

BOND International Gold (BIG), which last year became a subsidiary of LAC Minerals of Canada, yesterday reported a plunge into first-quarter net losses of US$4.3m, or 8 cents per share, from profits of $3.4m, or 6 cents for the year-ago period, writes Our Financial Staff.

The company, a New York-quoted group which encompassed most of the gold mining interests of Mr Alan Bond, the embattled Australian entrepreneur, said the losses were partly attributable to lower copper prices and lower copper production at its El Indio mine in Chile.

Additionally, the average cost of gold production for the quarter was $229 per ounce, including by-product credits, up from $167 per ounce.

The result was also affected by pre-tax unrealised foreign exchange losses of $3.1m, compared with gains of $5.9m previously, relating primarily to the company's Swiss franc bonds.

BIG reported record group sales for the quarter of $70.2m against $52.2m. Gold production was also at a record of 162,456oz, of which the company's share was 152,182oz. This reflected additional production from the Bullfrog Mine in Nevada, which began operations in September 1989. This compares with total production of 108,672oz for the same period in 1989, of which its share was 98,886oz.

Working capital from operations nearly doubled.

Pathé move to extend tender offer for MGM

By Alan Friedman in New York

THE complex and unconventional $1.2bn planned takeover of MGM/UA by Pathé Communications, the Hollywood studio controlled by Mr Giancarlo Parretti, the Italian financier, has taken another turn as Pathé announced for the second time in as many weeks its intention to extend its tender offer for MGM shares.

Last week Pathé said it was extending the closing of the offer from April 30 to May 10. On Tuesday Pathé said the tender was being extended further, until June 7. The deal between Pathé and Mr Kirk Kerkorian, the casino mogul who controls 82 per cent of MGM/UA, provides that Pathé may complete its offer at any time on or before June 23.

Scepticism about Mr Parretti's ability to come up with the cash has been a feature of the transaction since it was first announced in early March and even after Time Warner, the media and entertainment giant, agreed to guarantee $650m of loans for Pathé in exchange for distribution rights to the United Artist film library.

Mr Florio Fiorini, chairman of Pathé and Mr Parretti's main financial partner, insisted that obtaining the funds was no problem and claimed that the tender was being extended "mainly because of documentation delays and legal papers."

Mr Fiorini said there was "a small problem" with some of the holders of $400m of MGM/UA junk bonds who had threatened legal action because of the added debt burden arising from the Time Warner-backed loans.

He said, however, that the European network of companies he and Mr Parretti control would set up a sinking fund to acquire about $110m of the bonds over the next six months.

Mr Fiorini said that agreement had been reached to raise net cash of around $175m from the sale of Renta, a Spanish real estate company he and Mr Parretti control, to a consortium led by Société Phenix, a publicly quoted French company.

The Renta sale would not close for several months because it was necessary to first launch a tender in Spain to buy out the remaining 25 per cent of the shares quoted on the Madrid Stock Exchange, but that bridging loans from Spanish and French banks would meanwhile provide the $175m.

The remaining funds would come mainly from the sale of other European assets.

Competition puts renewed pressure on tyre industry

THE WORLD tyre industry, after several years of recovery from the financial losses and severe over-capacity which marked the early 1980s, is under pressure again, writes John Griffiths.

Profit margins in the $45bn-a-year turnover industry are being deflated once more by a renewal of intense competition, particularly in the original equipment market for new car tyres, and the onset of new over-capacity problems.

The comfortable profitability of high performance, low-profile car tyres – a key factor in the financial turnround of the mid-1980s for those companies with the technology to develop and make them – is being rapidly eroded as more entrants crowd into the sector.

Substantial investment in new capacity – totalling more than $6bn – by most of the major players is coming on stream when original equipment and replacement tyre demand is slowing in some of the world's major markets.

Against this background, share values of most of the tyre majors have slumped.

In addition, there are still lingering uncertainties about whether the restructuring of the industry is really over.

Even though more than 80 per cent of total world tyre business is in the hands of the six largest companies, speculation continues as to whether there could be one final, spectacular acquisition or merger before the industry adopts the shape to take it into the 21st century.

The article on Goodyear is the first of a series examining the current state of the industry's major players.

Demotion fails to deflate Goodyear gusto

John Griffiths finds the tyre maker fighting possible losses and global rationalisation

Goodyear Tire & Rubber is being brought face-to-face with what, until recently, was unthinkable: the loss of its long-held position as the world's biggest tyre maker. There is also the possibility of a descent into losses – even if briefly – for part of this year for only the second time in more than a decade.

Demotion is taking the form of a $1.5bn acquisition by the French Groupe Michelin, of Uniroyal Goodrich of the US, begun last September.

When completed in a few weeks' time – assuming US anti-trust approval is given – this most recent instalment of a sweeping rationalisation in the world tyre industry will leave Michelin with some 20 per cent of the world tyre market, compared with around 18 per cent each for Goodyear and Bridgestone of Japan.

It will also leave Goodyear as the last of the US tyre giants not under foreign ownership.

Mr Tom Barrett, 60, a lean, bespectacled Goodyear veteran who recently marked his first anniversary as chairman, refuses to acknowledge that losses, of however brief duration, are inevitable.

However, against the background of a 41 per cent drop in net profits last year, accelerating to a 74 per cent year-on-year plunge in the final quarter of last year, Mr Barrett, who is also chief executive, feels unable to rule out losses.

Goodyear unveiled a 78 per cent plunge in this year's first-quarter earnings. Net income for the three months to March 31 fell to $20.9m or 36 cents a share, from $94.5m or $1.64 in the same period of 1989.

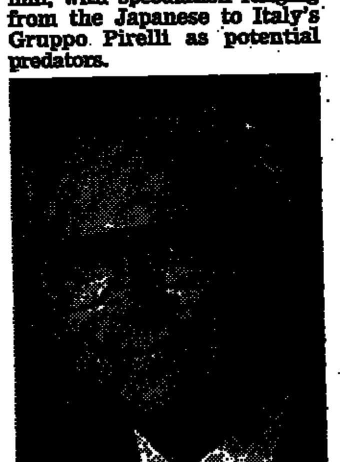
The quarterly results also need to be viewed against the background of total net earnings last year of $206.8m, down from $350m in 1988 and $770m the year previously.

"Obviously, we think losses won't happen," said Mr Barrett, speaking at Goodyear's Akron, Ohio, headquarters.

"But there are a lot of market forces at work we don't have any control over. We've got the capability of generating cash; the only reason I don't say hardcore that we won't (go into loss) is the possibility that our rivals might come out with something."

He will not speculate on what the "something" might be. Restructuring has been going on at such a pace in the tyre industry that even the biggest surviving players are looking uneasily over their shoulders.

Goodyear itself has not escaped the takeover rumour mill, with speculation ranging from the Japanese to Italy's Gruppo Pirelli as potential predators.



Tom Barrett: "we think losses won't happen"

"Pirelli? That was always ridiculous," said Mr Barret. But he accepts that Japanese intentions, in particular, remain hard to decipher.

Bridgestone, by far Japan's biggest tyre maker, appears fully occupied digesting Goodyear's old US rival, Firestone Tire and Rubber, which it bought for $2.6bn some 18 months ago – outbidding a chagrined Michelin and Pirelli. But having declared it intends to become the world's largest tyre maker, Bridgestone was ill-pleased when Michelin moved so quickly to snap up Uniroyal Goodrich.

Mr Barrett maintains that despite Bridgestone's boast, the major restructuring among the big players ought now to be over. "Since 1985 we have gone from 11 players with 80 per cent, to just five with 80 per cent."

Any further restructuring, he suggests, will be concentrated on smaller companies.

However, Goodyear has plenty of problems to cope with, even in the absence of further mergers or alliances.

Some are shared with the entire industry. Others are the unwanted consequences of past Goodyear policy decisions, such as diversification and the legacy of the 1986 "dawn raid" by British entrepreneur Sir James Goldsmith. The raid saddled Goodyear with nearly $3bn in extra debt to buy back its shares.

The faltering North American vehicle market is one worry, with the "big three" domestic producers on which the bulk of Goodyear's original equipment business is based cutting back sharply on output. The market for replacement tyres is also weakening.

Vehicle and tyre markets elsewhere are also coming off the boil, and this is at the very time more capacity is being introduced around the world.

Mr Barrett's concern is about how the industry will handle the developing supply-demand imbalance – whether there will be a repeat of the price wars of the early 1980s which plunged the industry into losses and acted as the catalyst for restructuring.

In addition, Goodyear's profitability is being sapped by its single most costly diversification – a $1.4bn, 1,800-mile oil pipeline running from California to Texas from which it had expected fat profits from carrying Alaskan and other crude to Texan refineries.

Its post-Goldsmith efforts to sell the pipeline having been confounded by weak oil prices and the furore over the Valdez oil spill in Alaska, so Goodyear is saddled with a line operating at only a third of capacity.

Mr Barrett says it is likely to be 1992 at least before the pipeline is carrying sufficient crude to earn Goodyear a profit as owner. "There are a lot of external factors at work, like the price of oil and environmental attitudes after Alaska," he observes.

The same factors make it likely that Goodyear will be the pipeline's owner for some time. "It's not that we don't want to sell. There are simply no buyers available."

It has become a visible burden on Goodyear's books – the consequence of ending, last October, the practice of simply adding the expenses of the pipeline to its project value so that it did not detract from profits.

That practice was clearly proving a worry to analysts so, according to Barrett: "I put it on the books . . . to try and take the mystery out of it; to try and clear the air with the financial community."

WORLD TYRE INDUSTRY

The price of so doing was the disclosure that the pipeline made a $56.8m pre-tax loss last year on sales of a mere $11.8m.

These factors have combined, says Mr Barrett, to make 1990 "a potentially difficult year."

In reaction, Goodyear is reducing manufacturing and operating expenses, improving production and distribution efficiency, and making itself better able to react more quickly to market change.

In operating terms, the tyre business, accounting for around four-fifths of turnover, is only marginally lower than in 1988, at $722m on sales of just over $8bn. Higher foreign taxation, the sale at a loss of facilities in South Africa, and other write-downs have, however, had a severe impact at the bottom line.

Nevertheless, "the structure that had been in place for 50 years was not good enough, so we have gone for more autonomous business units with more responsibility," says Mr Barrett.

There is also geographic change, with world-wide operations being split into four regions, plus the Kelly Springfield operations which make tyres under other brand names in North America.

The North American Goodyear tyre operations are being regrouped into two new business units, consumer and commercial tyres – a structure due to be in place by the middle of this year.

Only five years ago, the "big five" US-owned companies were among the largest in the world. Goodyear is the only survivor, and Mr Barrett insists it will stay that way.

"The other companies weren't prepared to fight like we've been doing . . . we're certainly strong enough to survive – in spite of Goldsmith."

Goodyear spent some $300m, probably more than anyone else in the industry, on research and development last year.

With the motor industry well on the way towards globalisation, and the big tyre makers close behind, Mr Barrett claims that Goodyear is "in a better position than anyone to make that shift. The only place we're missing is Japan, where we don't have a manufacturing base."

That is being addressed, albeit cautiously. Goodyear is to set up a technical centre in Japan, as a prelude to examining manufacturing prospects there.

As for the loss of the world's number one slot, Barrett appears philosophical. "We'll get back on top of the heap," he claims, provided there are no further mega-mergers or acquisitions.

Barbie doll unlocks dividend for Mattel

By Karen Zagor in New York

MATTEL, one of the world's biggest independent toy manufacturers, yesterday declared its first quarterly dividend since 1983.

Mr John Amerman, chairman and chief executive, said the decision to pay the three cent dividend "recognises the consistent profitable growth which Mattel has achieved over the past nine quarters, and our continuing positive outlook," said Mr John Amerman, chairman and chief executive.

The company, which has no plans to introduce a regular quarterly dividend, said it would review its dividend policy on a quarterly basis.

Mattel, whose erratic performance in the past 16 years reflects the volatility of the US toy industry, has been benefiting from the sparkling performance of its Barbie line.

First-quarter net profits soared 95 per cent to $8.4m on sales which grew 20 per cent to $234m. Last year the company had net income of $1.38 a share, including a one-time charge of 22 cents a share, on sales of $1.2bn. As recently as 1987, Mattel reported a loss of $2.26 a share.

The Hawthorne, California-based company, also said it would reduce its long-term debt to about $142.8m by repaying on July 15 all $75m of its 10⅞ per cent senior subordinated extendible notes.

Mattel had already reduced interest costs by about $6m after it called its 11⅞ per cent bonds late last year.

In addition, Mattel's board has authorised the repurchase of up to 500,000 shares on the open market over the next 12 months to fund the company's stock option plan.

Although shares in Mattel gained only $⅛ to $23⅞ yesterday in light mid-day trading on the New York Stock Exchange, the company's stock was well above its 1989 high of $20⅞.

Mr Harold Vogel, an analyst at Merrill Lynch, last month increased his 1990 earnings estimate to $2 a share from $1.85, while Zacks Investment Research has a mean estimate of $1.94 a share.

Lockheed to move aircraft operations

By Roderick Oram in New York

LOCKHEED is to transfer its remaining aircraft design, development and manufacturing operations from Burbank, the Los Angeles suburb which has been its home for more than 60 years, to cope with sharply reduced defence aerospace budgets.

The work will be moved to its plants at Palmdale in the southern California desert, and at Marietta, north of Atlanta, Georgia.

The company had said previously it would shift some work and put up for sale 225 acres of the Burbank site, but delays in new aircraft programmes have prompted it to close down the remaining 95 acres.

The company hopes the prime Los Angeles real estate will fetch about $1m an acre once authorities are satisfied environmental damage is cleared.

Lockheed will vacate most of the property by next year but it will not move its famous "Skunkworks" to Palmdale until 1994. The centre has developed some of the US military's most secret aircraft, such as U-2 and SR-71 spy planes and the F-117A stealth fighter.

Lockheed said it took the decision because the Pentagon was likely to delay production by at least two years of the P-7A, an anti-submarine aircraft Lockheed is developing.

It has also deferred a decision on which of two competing US consortia will build a new advanced tactical fighter. If the Lockheed team wins the ATF order, the aircraft will be built in Georgia along with the P-7A.

About 2,750 people will lose their jobs as a result of the moves, the company said.

Kodak focuses on east Europe markets

EASTMAN Kodak, the US photographic products group, expects an improved financial picture for the rest of the year, said Mr Colby Chandler, chairman, Reuters reports.

The company, which is negotiating several joint ventures in the Soviet Union, sees great potential for its products in east European markets.

Mr Colby told the annual meeting that "as 1990 unfolds and our gains from restructuring take hold, we look forward to higher sales, better earnings, and improved cash flows, especially in the latter part of the year."

The company also sees good growth in traditional photography and will exploit its proprietary technology in electronics to usher in a era of hybrid film/electronic imaging over the next decade.

"Kodak is uniquely positioned to influence and lead this evolution of the imaging market," said Mr William Fowble, Photographics Products Group vice president.

He said he expected Eastman's imaging business in eastern Europe to grow at the rate of 20 per cent.

"In eastern Europe and the Soviet Union, there is a large pent-up demand for high-quality photographic products and services," said Mr Fowble.

Mr Fowble said Kodak was negotiating joint ventures in the Soviet Union that involved the sale of consumer products such as film, cameras and finishing supplies.

INTERNATIONAL COMPANIES AND FINANCE

VW seeks more European capacity

By Andrew Fisher in Wolfsburg

VOLKSWAGEN, the West German car group, will need more European capacity if it is to keep up with the growing sales opportunities in eastern Europe, said Mr Carl Hahn, the chief executive, yesterday.

Despite its considerable investment plans in Spain, where it owns the Seat carmaker, and in East Germany, VW's need for production capacity "does not yet correspond with the new dimensions," he told the annual press conference.

VW's current investment programme totals about DM30bn ($17.5bn) up to 1994, not including its share of the DM5bn hooked for the East German project to assemble its small Polo car. Last year, group capital spending totalled almost DM5bn.

VW announced a 33 per cent rise in group net profits in 1989 to DM1.04bn, with turnover up 10.4 per cent to DM65.4bn. Earnings per share were DM61 against DM46. The dividend is being increased by DM1 to DM11 on the ordinary shares.

Worldwide production was 3 per cent higher at 2.95m vehicles. Mr Hahn forecast that the 3m mark would be passed this year. In the first quarter of 1990, net profits were 5.5 per cent higher at DM191m, with turnover up 7 per cent to DM17.2bn. Mr Dieter Ullsperger, the finance director, said the difficult economic situation in Brazil had affected the first quarter.

However, VW was benefiting from its domestic job-cutting and efficiency programme, which had saved around DM2.3bn in the last two years, with a further DM1bn saving planned for 1990.

With competition getting tougher in Europe, VW would have to work hard this year to improve on its 1989 result, Mr Hahn said. He declined to give a forecast.

Vehicle deliveries in the first four months were 2 per cent higher at 1m units, with those of Seat up by 12 per cent to 130,000. Sales in West Germany edged up by 1 per cent, and by 5.5 per cent in the rest of Europe.

Mr Hahn said talks on possible co-operation with Skoda in Czechoslovakia were continuing. Talks were now at "a very delicate stage."

In East Germany, VW is aiming for an initial yearly output of 125,000 cars, with a rise to 250,000 after 1994. The first tranche of VW investment for the expansion at the Zwickau plant of the IFA motor group in East Germany will be DM360m.

VW is also talking to Ikarus, the Hungarian truck group, about co-operation on bus body production.

Mr Hahn stressed that these moves did not mean cutting back on plans for Seat. Capital spending at Seat would total DM10bn up to 1998, with production rising to 750,000 vehicles a year from 530,000 in 1990 and 474,000 last year.

Mr Ullsperger said Seat's net profits jumped to DM89m in 1989 from DM18m, with those of Audi, its up-market German producer, up to DM228m from DM151m. VW's share of profits in Autolatina, its joint venture with Ford of the US in Brazil and Argentina, advanced to DM343m from DM228m. The Mexican operation moved from a DM114m loss to a profit of DM28m, while the North American company income dropped from DM117m to DM45m.

Stora rebuts criticism of Feldmühle purchase

By John Burton in Stockholm

STORA, the Swedish pulp and paper group, said yesterday that its profits after financial items in 1989 would have increased by SKr600m to SKr4.5bn ($750m) on a pro forma basis if its acquisition of Feldmühle Nobel had occurred at the beginning of last year.

A financial analysis of the deal, released at the Stora annual meeting in Falun, was designed to rebuff criticism that the company's DM4bn ($2.4bn) purchase of the West German conglomerate two weeks ago would adversely affect its profits due to added debts.

Mr Bo Berggren, Stora president, told shareholders that the synergy of the deal would save between SKr600m to SKr800m yearly within five years. He did not comment on speculation that Stora might sell part of Feldmühle's non-forestry interests to finance the purchase.

Stora based its profit calculation for 1989 on the premise that the Feldmühle acquisition was financed in equal parts through short-term borrowing and reduction in liquid funds, with the estimated cost of financing the acquisition amounting to about SKr1bn a year.

Stora argued that its sales would have jumped from SKr42.3bn to SKr74.1bn, with about SKr35bn attributable to forestry-industry products, if the Feldmühle results were included last year. Operating profits would have climbed from SKr5bn to SKr6.9bn, while financial costs would have grown from SKr1.1bn to SKr2.4bn.

The deal would have had a modest effect on earnings per share, lifting them from SKr41.50 to SKr42. The visible equity/asset ratio would have dipped from 32 per cent to 21 per cent.

One of the chief effects of the deal, which will create the world's fourth largest pulp and paper group, will be to increase Stora's percentage of sales to European Community countries from 44 per cent to 62 per cent.

Big machinery makers cut out the middle folk

Nick Garnett on changes in Europe's construction machinery industry that have led to middle-sized companies being gobbled up by some larger groups

After a short breathing space, the world's construction and earth-moving machinery industry has resumed the ownership restructuring which is changing the face of one of the most competitive manufacturing sectors.

Alliances and joint ventures among the largest and middle-ranking companies have been a recurring theme, but the dominant characteristic recently in this $50bn industry has been the loss of independence from some of Europe's smaller manufacturers.

In March, VME – the Swedish-American company formed in 1985 from the construction machinery interests of Volvo and Clark Equipment – purchased Zettelmeyer, a small West German producer of wheeled loaders and bulldozers.

Komatsu of Japan, the second largest machinery maker after Caterpillar of the US, acquired a majority stake in Hanomag, a West German equipment producer.

Benati, a struggling Italian manufacturer of backhoes and wheeled and crawler loaders, was bought by Fiat-Hitachi, a three year-old joint venture in Italy between the Italian and Japanese companies.

Earlier last year, Furukawa, a Japanese wheeled loader specialist, acquired the European manufacturing operations of Dresser of the US, including its excavator business in France.

And there have been persistent rumours that West Germany's Liebherr, a medium-sized producer of cranes, excavators and diesel engines, has been in merger talks with VME. This has been denied by both VME and Liebherr.

With the approach of the single European market, VME was desperate to find a production base in the European Community, which Zettelmeyer now gives it. The acquisition also adds wheeled bulldozers and small wheel loaders to VME's range of dump trucks and large wheeled loaders.

VME said a further factor was its interest in selling to eastern Europe, best served from a West German base.

Komatsu purchased Hanomag partly to add to its production capacity in the EC. The Japanese company has already established a base in the UK. But Komatsu was also worried about South Korean competition. Daewoo, South Korea's biggest machinery company, had been discussing the purchase of Hanomag with the West German manufacturer, which has an excellent manufacturing facility but has been struggling financially.

The purchase of Benati by Fiat-Hitachi was also partly a blocking mechanism, according to Mr David Phillips of Corporate Intelligence Group, a London-based industry analyst. Sumitomo of Japan, which has a joint venture with Link Belt of the US, had been on the point of acquiring Benati before Fiat-Hitachi stepped in. Fiat was determined to stop another Japanese company coming into its domestic market.

All these deals confirm one trend: that some smaller European manufacturers will continue to be gobbled up by their bigger competitors.

Many small specialist producers will survive. But even the best manufacturers can only earn a return of about 5 per cent on sales, according to Mr Phillips. And the pressures on Japanese companies to manufacture in the EC, and on middle-ranking European and North American companies to either grow or see their positions eroded, has created a gaggle of willing buyers.

Two further issues dominate. One is whether Hitachi is going to challenge long term the dominant position of Caterpillar – which has construction machinery sales of $8bn from total revenues of $11bn – and the somewhat smaller Komatsu. These two companies have almost 25 per cent of the world market, according to the corporate intelligence group.

"I see three major players as a result of all this shake-out," says Mr Don Fites, Caterpillar's president, shortly to assume the chairmanship.

"Cat will be number one, Komatsu number two, and Hitachi will become number three as a result of the deals with Fiat and John Deere. Hitachi will dominate that grouping." Mr Fites is referring to a triumvirate developing between Fiat, Hitachi and Deere, a US machinery maker.

Hitachi has a joint venture in excavator manufacturing in Italy with Fiat, through which Hitachi gets access to Fiat's European distributors, and Fiat gets Hitachi's excavator designs. Hitachi has a similar deal with Deere in the US. Deere and Fiat are also planning a joint venture for backhoes in Europe.

The second question concerns the survival strategies of the middle-ranking companies – those with sales from about $1bn to $2bn. These companies include Deere, J.I. Case and Dresser in the US, VME, and slightly smaller German companies such as Orenstein & Koppel and Mannesmann Demag.

One view is that many of these companies, some with relatively full equipment ranges but restricted geographic markets, will be squeezed.

Dresser has put its North American machinery operations into a joint venture with Komatsu and their dealerships are being merged there. The industry reckons that Komatsu will dominate that venture and that Dresser will back out of the industry. The US company denies this.

Case keeps reaffirming that it will stay in the business, and VME's purchase of Zettelmeyer means that it aims to expand.

Rebuilding work in East Germany will boost West Germany's middle-ranking machinery makers. However, it would appear that some of the world's middle-ranking companies could be forced together. "Many of them cannot offer total global distribution networks," says Mr Phillips. "I think there will be more mergers or joint ventures in marketing and manufacturing."

NEWS IN BRIEF

Steady results at Alcatel arm

STANDARD Elektrik Lorenz (SEL), the West German electronics unit of France's Alcatel, said its 1989 group net profit was little changed at DM29.7m ($18.5m) from 1988's DM28.2m, Reuter reports.

Alcatel is a unit of Cie Générale d'Electricité. The 1989 group turnover edged up 0.3 per cent to DM4.0bn and parent company sales rose 1.3 per cent to DM3.9bn. SEL will pay an unchanged dividend of DM2.50.

■ Varta, the West German battery and plastic products group, said its parent company net profit in 1989 remained unchanged from a year earlier at DM39.6m due partly to restructuring and higher raw materials costs, AP-DJ reports. It will pay an unchanged annual dividend of DM10 a share.

■ Plans for a merger between Landesbank Rheinland-Pfalz and Bayerische Landesbank Girozentrale have been put on ice while Pfalz considers other options such as privatisation, Bayerische Landesbank chairman Mr Hans Peter Linss said, Reuter reports. Mr Linss said the merger would not happen this year although preparations were largely complete.

La Générale to float unit shares

By Lucy Kellaway in Brussels

SOCIETE GENERALE de Belgique, Belgium's biggest industrial holding company, yesterday announced plans to float up to BFr8bn ($140m) worth of shares in Acec-Union Minière, its non-ferrous metals business.

The move follows a reorganisation of these operations at the end of last year, when La Générale injected many of its scattered non-ferrous businesses into Acec-UM to form a more coherent group.

The share sale is part of the wide-reaching restructuring at La Générale following the failed takeover of the company by Italian businessman Mr Carlo De Benedetti in 1988.

La Générale said yesterday that the sale would reduce its stake in its subsidiary from 87.5 per cent to about 75 per cent, and was designed to increase the liquidity in the stock on the Belgian market.

La Générale said the company had no fixed plans for any acquisitions, and that the money would go towards reducing short-term debt.

The share sale, which will take place between May 21 and 29, will be geared mainly at private investors.

La Générale expects to sell between 1.2m and 1.8m shares at a price of between BFr4,100 and BFr4,400. The sale, unusually large for the Belgian market, will be handled by Générale de Banque. The price will be set on May 16.

The non-ferrous metals operations are one of the most important of La Générale's sectors, and consists of a wide variety of businesses spanning a range of metals in both upstream and downstream businesses.

At the time of the metals reorganisation last December the company said its ambition was to form a major group that could rival the likes of RTZ of the UK and Metallgesellschaft of West Germany.

Belling to supply Whirlpool Int'l

By Clay Harris, Consumer Industries Editor

BELLING, the privately owned UK electric cooker manufacturer, is to make appliances for the British market for Whirlpool International, the European joint venture between Whirlpool of the US and Philips of the Netherlands.

The stand-alone electric cookers will be manufactured at Belling's factory at Enfield, north London. Neither company would specify how many Belling units would be made for sale under the Philips Whirlpool brand. The companies have agreed not to compete directly in products.

Whirlpool will continue to make some electric cookers for the UK in Italy. The Belling deal enables it to extend its range without re-tooling for short production runs; only in the UK is there a demand for "dual-cavity" cookers, with oven and separate grill. UK sourcing will also allow Whirlpool International to hedge its exposure to the weak pound.

It is under pressure from its US parent, which owns 53 per cent of the company and can buy out Philips from next year, to bring margins closer to those achieved in the US. In 1989, Whirlpool made US operating profits of $300m on sales of $4.13bn, compared with $102m and $2.1bn in Europe.

Helping the Baby grow up, Page 16

INTERNATIONAL COMPANIES AND FINANCE

Bond Media in eleventh hour battle for funding

By Kevin Brown in Sydney

BOND MEDIA, part of Mr Alan Bond's group of companies, was yesterday given until tomorrow to put together a A$300m (US$227m) refinancing package.

A six-week deadline for completion of the refinancing expired yesterday. However, a syndicate led by National Australia Bank appeared to have decided to give Bond Media a few more days before calling in a loan facility of A$380m.

Neither National Australia Bank nor Bond Media would comment publicly on the refinancing. However, a Bond official said a final decision would be made tomorrow.

A team of Bond Media executives, led by Mr Sam Chisholm, head of the company's Channel Nine television network, is on a trip through the US and Europe in a last-minute attempt to complete the refinancing.

Bond Media is thought to have had talks with a number of overseas television companies, including NBC in the US, HTV in the UK, and TV New Zealand, a state-owned company.

The National Australia Bank syndicate would prefer a commercial rescue of Bond Media to a fire-sale in which the company's assets – principally Channel Nine – would have to be sold in the depressed Australian television market.

However, Bond Media faces several hurdles even if the Chisholm team is able to put together a deal. The refinancing would require approval from regulatory authorities, and that could pose problems if a foreign shareholding is envisaged.

Bond Media also faces a winding-up action brought by Mr Kerry Packer's Consolidated Press Holdings following the failure of a A$53m bid for Channel Nine by Mr Packer.

Consolidated Press claims it is entitled to redeem preference shares in Bond Media worth A$200m. Bond Media says it is not required to redeem the preference shares because it has made insufficient profits.

The case is due to start in the West Australian Supreme Court on June 1.

Freeze sought on 14.9% of Bell

By Kevin Brown

AUSTRALIA'S National Companies and Securities Commission yesterday asked a Federal court in Western Australia to freeze 14.9 per cent in Bell Group, the media concern, which was bought last week by Mr Robert Maxwell, the UK newspaper publisher.

The commission asked the court for an order preventing Mr Maxwell selling on all or part of the stake until it has completed an investigation of recent share dealings in Bell.

Mr Maxwell, publisher of Mirror Group Newspapers, bought the shares from Mr David Aspinall, managing director of Bell Group, a few days after Mr Aspinall acquired a 16.57 per cent holding in the company.

The commission claims Mr Aspinall's purchase of the shares broke Australia's takeover code because he is an associate of Mr Alan Bond's Bond Corporation Holdings. Bond Corporation owns 74.5 per cent of Bell.

Under the code, holders of more than 19.9 per cent of shares in a company may not acquire more than a further 3 per cent without launching a full bid.

Mr Rob Bathurst, QC, counsel for Mr Maxwell, said the application by the commission was "an exercise in futility."

Mr Bathurst said it was Mr Maxwell who was being targetted by the application, even though there was no suggestion of wrong-doing on his part.

According to Mr Graeme Cantrell, counsel for the commission, solicitors for Mr Aspinall had told the commission that Mr Aspinall acquired the shares to prevent them falling into the hands of a potentially disruptive shareholder.

Mr Cantrell said a letter to the commission from Mr Aspinall's solicitors expressed concern that the shares might have been used in a disruptive manner to endanger Bell's business, particularly the West Australian newspaper.

The hearing was adjourned until today.

BOC subsidiary rules out dividend

By Kevin Brown

COMMONWEALTH Industrial Gases (CIG), an 87.5 per cent subsidiary of BOC Group of the UK, yesterday announced net profits down A$60,000 to A$22.39m (US$16.94) for the six months to March on sales down 8.2 per cent at A$312.8m.

CIG said it had decided against paying an interim dividend.

The group paid an interim dividend of 23.5 cents last year, but there was no final dividend.

"We think that overall we have been pretty fair to our shareholders," said Mr Ken Barber, company secretary.

CIG explained that the fall in net profits reflected the slowdown in the Australian economy and higher interest payments.

The sales figures reflects the disposal of the Cigweld and Bestobell businesses late in the last fiscal year. CIG recently announced a A$40m contract to build a hydrogen and oxygen plant at a steel plant in Newcastle, New South Wales, operated by BHP, Australia's biggest company. However, Mr Barber said the outlook for the rest of the year was uncertain.

Lego builds on success by lifting sales 15%

By Hilary Barnes in Copenhagen

LEGO, the Danish toy construction kit manufacturing group, consolidated its position last year as the only European among the world's 10 largest toy manufacturers, with a sales increase of 15 per cent, according to the annual report.

The group claimed a rising share of markets in Europe, the US and overseas and said the outlook for 1990 was also promising.

Imitators had been seen off, said Lego: "For the second year running sales of imitation products have fallen."

The published accounts for the group, which employs a total of 6,252 people worldwide, an increase of 472 over the year, show an increase in pre-tax profits of 24.6 per cent from DKr405m to DKr505m ($80.2m) on sales which improved from DKr3.24bn to DKr3.64bn.

Parts of the group are not included in the published accounts, however, including the US subsidiary, Lego Inc, and one of the group's main factories in Switzerland.

In the US, sales increased by 16 per cent in an otherwise stagnant market as new product lines were launched. Sales by imitation products fell by 30 per cent, Lego said.

The group made substantial investments in new production capacity last year, with moulding capacity at its main Danish plant increasing by 20 per cent in the first half of 1990 and a new machine tool factory due for inauguration in Switzerland in October.

Equity capital increased from DKr911m to DKr1.25bn. Return on equity was 27.7 per cent and on assets employed 16.6 per cent, said the report.

● ISS A/S, the Danish parent to the world-wide office-cleaning and building maintenance group, has offered to buy the 1.3m outstanding shares in ISS Inc, the US subsidiary. It means ISS Inc will cease to be listed on the American Stock Exchange. Insufficient turnover in the share was given as the reason for the move.

SA clothing retail chain weathers the spending slowdown

By Philip Gawith in Johannesburg

A STRONG base of account customers and energetic marketing allowed Edgars, one of South Africa's largest clothing retail chains, to overcome a slowdown in consumer spending and record a 30 per cent increase in pre-tax profit to R243.1m ($92.04m) in the year to March 31. Turnover increased 24 per cent to R1.9bn.

All of the divisions in the group, which is controlled by South African Breweries, performed creditably. Edgars, Sales House and Jet increased sales by 26 per cent, 29 per cent and 17 per cent respectively. Clothing, footwear, household textiles and accessories are the focus of the group's activities.

The group managed to gain market share as its sales grew 9 per cent in real terms against national growth for the sector of only 2 per cent. Earnings per share for the year were 26 per cent up at 243 cents and the dividend was 24 per cent up at 93 cents. The shares are yielding 2.88 per cent against a 3.4 per cent sector average.

Altron bruised by losses at Punch microcomputers

By Philip Gawith

ALTRON, the South African electronics and electrical products group, reported its first drop in earnings in 25 years in the year to February 28 following heavy losses at the Punch microcomputer division.

Turnover increased to R2.63bn ($999.5m) from R2.15bn, but shareholders' earnings were down 22 per cent at R56.3bn.

Punch Line, which is part of Altron's subsidiary Fintech, suffered a R32.5m attributable loss after a a R23.3m extraordinary loss from the sale of its retail and systems division and rationalisation of its distribution business.

Its difficulties reflect the troubles from which the South African information technology industry is suffering following over-rapid growth during the 1980s.

Management believes that with Punch Line's rationalisation nearly complete the information technology group will reflect a "substantial return to profitability" in the year ahead.

Altech, the Altron subsidiary which manufactures and distributes electronic equipment, is recovering from two bad years.

The group's attributable earnings were down nearly 6 per cent to R81.8m, but it has R85m cash and is well positioned to diversify to compensate for deferred Post Office contracts.

Better news came from Altech subsidiary, Autopage, which increased earnings by 123 per cent and Powertech, the power electrical arm of Altron, which saw a 30 per cent improvement.

Altron's directors are confident of improved earnings and growth in the year ahead.

The group is maintaining the dividend at 123 cents per share despite a drop in earnings per share to 305 cents from 406 cents.

Wesfarmers profits fall

By Kevin Brown

WESFARMERS, the Perth-based agribusiness group, announced an 11 per cent fall in nine-month equity accounted net profits to A$32m (US$24.15m) on revenue up 14 per cent to A$1.05bn. The fertiliser, chemicals, gas processing and distribution group expected full-year profit to be in line with last year's record A$59m. Wesfarmers warned higher interest rates would effect this year's earnings.

INTERNATIONAL CAPITAL MARKETS

White House pushes for SEC futures regulation

By Peter Riddell, US Editor in Washington

THE BUSH administration is to press ahead with plans to move regulation of stock-index futures to the Securities and Exchange Commission (SEC) from the Commodity Futures Trading Commission (CFTC) in spite of strong opposition from the latter and the Chicago futures' markets.

A fierce fight is likely in Congress since the proposal is opposed by senior members of the Senate Agriculture Committee which has jurisdiction over the CFTC. However, the change is supported by the securities industry and the Congressional committees which monitor it.

Mr Nicholas Brady, the Treasury Secretary, has pressed the shift on the view that there should be one regulator of both stocks and stock index futures, which are investments in futures markets linked to the movement of stock prices.

He believes that having two regulators increases both the chances of volatile market disruptions and of fraud.

Wendy Gramm: markets are the most effective in the world

The administration also proposes to give the SEC oversight over futures margins, though more radical proposals to give the SEC jurisdiction over all financial futures and to merge the CFTC and SEC into one agency were dropped because of the extent of likely Congressional opposition.

The SEC has expressed concern over low margin or deposit levels in futures markets.

The administration wants to attach the jurisdiction issue over stock index futures to legislation pending before the Senate on the reauthorisation of the CFTC. This is in effect to ensure an early decision.

Mrs Wendy Gramm, the recently reappointed chairman of the CFTC, has opposed the change, arguing that "jurisdictional gerrymandering will disrupt our markets – the most effective in the world."

Senator Patrick Leahy, the Democratic chairman of the Senate Agriculture Committee, has said he will urge the Senate leadership to arrange an early debate on the administration's proposals to "vote 'em up or vote 'em down."

Narrower spreads for Turkish foreign debt

By Jim Bodgener in Ankara

THE cost of short-term lending to Turkey has become extremely competitive with borrowing spreads narrowing, despite the onset of the season when Turkish state institutions and corporations traditionally roll over foreign debt.

As the Turkish current account surplus heads towards $1bn for 1990, the surplus of foreign exchange has meant Turkish entities no longer have to borrow so much externally. Debt servicing and refinancing needs are lower, while the country's external credit standing is relatively buoyant.

This year, Turkey will have to find a total $6.4bn for foreign debt servicing, but this will diminish to $4.6bn by 1994, according to official projections.

A $100m loan for the state-owned Soil Products Office was recently fixed at 45 basis points over Libor (London interbank offered rate), despite the absence of a Turkish government guarantee. However, the general range of loan pricing appears to be 50 to 75 basis points for short-term risk, where only a year ago it topped 100 basis points. Similarly, yields for medium-term lending have fallen to 125 points over Libor compared with around 250 points in 1987.

Another encouraging trend, not without teething pangs, is that the Turkish treasury progressively is giving state bodies more control over their borrowing needs.

For example, Turk Hava Yollari, the Turkish state airline, is attempting to arrange financing for the last of 14 Airbuses ordered as part of a fleet standardisation programme. The most recent purchases have been through lease financing, but the airline could return to straight credit now it is over the peak of debt servicing needs.

The withdrawal of central bank and treasury supervision has led to some complaints in world financial centres, such as London, of an untidy market in Turkey. Two large institutions, for example, recently awarded mandates for the same deal to more than one bank, without apparently realising the damage this could do their names as clients in the market place.

So far however, the domestic economy's travails have not deterred Turkey's external creditors, despite an inflation rate of around 62.5 per cent, and an increase of 205 per cent in the lira value of the budget deficit in the first quarter of this year.

And they may never do so, if the Turkish Government can produce further evidence of pulling the economy round. "For the moment, Turkey's positive foreign exchange cash flow is all that seems to matter," said an Istanbul-based foreign banker.

Shearson plans issue of 750,000 gold warrants

SHEARSON Lehman Hutton Capital plans to issue 750,000 gold warrants designed to yield a maximum return if gold remains within a specific trading range over the next two years, Reuter reports.

The European-style warrants, which have an indicated price of $71.40 and are expected to mature in May, 1992, will yield a 40 per cent return if gold stays within a range between $360 and $400 an ounce. If gold fluctuates between $307 and $450, the yield will be pegged above the return on two-year US Treasury notes.The average gold price in 1989 was $381.52.

OML to trade options on Norwegian stocks

By Deborah Hargreaves

OM London, an offshoot of Sweden's automated options market, will become the first investment exchange to offer Norwegian derivative products tomorrow when it starts trading options on three Norwegian stocks.

The three options will be on Norsk Hydro, the petroleum company, Bergesen, Norway's shipping firm and Hafslund Nycomed, which is in the pharmaceuticals sector.

Shares in the three companies are traded actively outside Norway – Norsk Hydro traded some 89m shares in London last year.

The Norwegian options will be available to be traded on OM in Sweden as well as in London, although the exchange has failed to reach agreement with the Oslo Stock Exchange on a market link for the options. Brokers in Norway will have to trade through OM in London or Stockholm.

OML says it will launch an option on a Norwegian stock index in the second week of June.

Norway has blocked the development of options on its stock exchange and the London and Swedish exchanges will provide the only institutionalised forum for trading the Norwegian products.

Chemical Bank downgraded by Moody's

By Andrew Freeman

THE credit rating of Chemical Bank Corporation, the New York-based holding company, was downgraded yesterday by Moody's Investor Service, the international rating agency, which cited worries about the group's future profitability.

CBC's senior obligations were downgraded from Baa2 to Baa3. Moody's also downgraded several CBC subsidiaries, including Chemical Bank and Texas Commerce Bank. Approximately $4.6bn of long-term debt was affected by the changes.

The deteriorating outlook for the economies of north-eastern US states was cited as the main threat to CBC's future profits. The company has considerable real estate and highly leveraged loan exposure, although Moody's noted that its portfolios have so far performed reasonably well. The rating agency also said CBC has a solid core funding base and has prudently managed its liquidity.

SBC decides to keep retail unit

SWISS Bank Corporation will not go ahead with the planned sale of its West German retail unit. The Swiss bank has decided to keep and reorganise the subsidiary, Reuter reports.

As part of the restructuring, SBC will inject DM80m into the SB-Lebensmittelbeteiligungsgesellschaft (SB) and repay DM130m in the bank's debt to German lenders.

SB's main assets are Kafu-Wasmund Handelsgesellschaft and the Gottlieb Handelsgesellschaft, both retail groups. SBC's acquisition of Kafu-Wasmund led to a probe by the West German cartel authorities because of SBC's stake in retailer Co op.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅞ 96	750	95⅛	95⅝	-0⅛	+1⅛	9.59
Alberta 9⅞ 95	600	99¼	99⅝	+0⅛	+1⅛	9.47
Austria 9⅝ 93	140	100⅝	101⅛	+0⅛	+0⅞	9.24
B.F.C.E. 8⅞ 94	175	†96⅛	96⅝	-0⅛	+1	9.42
B.F.C.E. 9¼ 95	150	98⅝	99⅛	0	+1⅛	9.50
Brit. Tel. Fin. 9⅛ 98	250	†98	98½	-0¼	+1⅛	9.67
Canada 9 96	1000	98¾	99¼	0	+1⅛	9.22
C.C.C.E 9¼ 95	300	98⅞	99⅜	0	+1	9.47
Cr.Local France 8⅞ 99	250	94¼	94¾	-0¼	+1¼	9.61
Credit National 7⅞ 92	100	96⅝	97⅛	0	+0⅞	9.18
Credit National 9½ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.35
Denmark 8¼ 94	150	†95	95½	-0⅛	+0⅛	9.63
E.E.C. 7 91	100	96½	97	-0⅛	+0¼	9.26
E.E.C. 10 93	140	†101⅜	101⅞	+0⅛	[illegible]	9.37
E.I.B. 8½ 99	150	92¾	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 10⅛ 93	100	†101¼	102⅞	0	+0⅛	9.33
Elec. De France 9½ 99	200	–	–	–	–	–
Euro.Credit Card Tst. 9 95	750	97	97⅜	-0⅛	+0⅞	9.76
Finland 9 96	250	97½	97⅞	+0⅛	+1⅛	9.50
Finn.Exp.Cd. 8½ 92	200	98⅜	98⅞	0	+0½	9.31
Finn. Exp. Cd. 9⅜ 95	200	†99	99⅜	0	+0⅞	9.56
Ford Motor Credit 8 91	250	†98¾	99¼	0	+0⅛	0.09
G.E.C.C. 10½ 91	300	100⅝	101⅛	0	+0⅛	0.09
G.M.A.C. 8¼ 94	500	†95⅞	96⅜	-0¼	+0½	9.81
G.M.A.C. 9 96	300	–	–	–	–	–
Gen.Mtrs.Corp. 9⅛ 92	200	–	–	–	–	–
Honda 9⅝ 97	300	98⅜	98⅞	+0⅛	+1¼	9.90
IBM Credit Corp. 8⅝ 92	400	98½	99	0	+0¼	9.16
IBM Credit Corp. 8⅞ 91	250	†98⅝	99⅛	0	+0⅛	9.65
IBM Credit Corp. 9 92	250	99¼	99¾	0	+0½	9.23
IBM Credit Corp. 9½ 92	250	100	100½	0	+0⅜	9.30
Italy 8½ 94	1500	96¼	96¾	-0⅛	+1	9.47
Italy 9½ 95	1000	99¾	100¼	+0⅛	+1¼	9.47
Italy 9⅝ 99	1000	99½	100	+0⅛	+1⅜	9.66
Itoh C. W/W 4⅝ 94	1000	†95	96½	0	-0¼	5.81
Japan Dev. Bank 10 96	200	†101⅝	102⅛	0	+1⅛	9.57
KFW Intl. Fin. 9 94	300	98⅛	98½	-0⅛	+0⅞	9.48
L.T.C.B.of Japan 8⅞ 96	200	94¾	95¼	0	+1⅛	9.83
L.T.C.B.of Japan 9¼ 92	200	†99	99½	+0⅛	+0⅜	9.55
New Zealand 9 94	850	97⅜	97⅞	0	+1	9.67
Nippon Tel.&Tel. 8½ 96	200	94⅜	94⅞	0	+1⅛	9.62
Nippon Tel.&Tel. 9⅞ 98	250	98⅛	98⅝	+0⅛	+1¼	9.64
Norway 8⅝ 93	500	†98⅝	99⅛	+0⅛	+0⅞	9.20
Oesters Kontbk. 9¼ 94	350	†99¼	99¾	-0⅛	+0⅞	9.51
Sumitomo Corp. W/W 4 93	1500	103¼	104½	-0⅛	+2⅝	2.69
Sweden 8¾ 96	200	96⅝	97⅛	-0⅛	+1⅛	9.46
Toyota Mtr.Corp. W/W 4 93	1500	100½	102	-0⅛	+1⅜	3.56
Victorian Rep 11⅝ 92	150	103¼	103⅝	+0⅛	+0½	9.66
Union Bk. Switz. 9¼ 02	225	94⅞	95⅜	-0⅛	+1⅝	9.83
World Bank 8⅞ 99	1500	94⅛	94⅝	-0¼	+1¼	9.02
World Bank 9 97	300	†97⅝	98⅛	-0¼	+1¼	9.40
World Bank 9 93	300	99⅜	99⅞	0	+0¼	9.12
World Bank 9¼ 98	300	†97⅞	98⅜	0	+1⅜	9.56
World Bank 9⅝ 99	500	100¼	100½	0	+1¼	9.57

Average price change... On day 0 on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88½	89	+0¼	+0½	9.08
Austria 6¾ 99	750	†87½	87⅞	+0⅛	+1⅜	8.80
Bk.Frgn.Econ.USSR 7 96	750	*†90¼	91⅜	0	+2⅜	8.97
Bank of Tokyo 5⅞ 93	100	91⅝	92⅛	-0⅛	+1⅛	9.15
Commerzbank o/s. 5⅞ 93	300	91	91½	0	+0⅝	9.20
Credit Foncier 6¾ 99	500	†86	86½	0	+0⅞	9.06
E.I.B. 6¼ 99	600	83¾	84¼	+0¼	+1⅜	8.96
E.I.B. 6½ 99	300	†85	85½	+0⅛	+1¼	8.98
E.I.B. 6⅝ 96	600	88¾	89¼	0	+0¼	9.10
E.I.B. 6⅞ 95	300	90½	91	-0⅛	+0¼	9.06
E.I.B. 8 2000	500	96½	96⅞	0	+1¼	8.51
Euro.Coal& Steel 7⅞ 94	100	†95½	96	0	0	8.89
Eurofima 6¼ 96	100	86½	87	0	+0½	9.17
Elec De France 5¾ 97	300	82¼	82¾	+0⅛	+0½	9.21
Hydro-Quebec 6¾ 99	300	†85¼	85¾	0	+0⅞	9.20
Japan Dev. Bk. 5⅞ 95	300	†85	85½	-0⅛	-0⅛	9.20
Japan Finance 5⅞ 97	100	83	83½	+0⅛	+0½	9.17
I.A.D.B. 7¼ 99	300	89¼	89¾	-0⅛	+0⅞	8.97
Ireland 6½ 97	300	85¾	86¼	-0⅛	-0½	9.32
Ireland 7¼ 99	500	88½	89	+0⅛	+0⅞	9.11
Malaysia 6¼ 94	150	89	89½	+0¼	+0½	9.49
Nat. West BK. PLC 6 98	300	†81⅞	82⅛	+0⅛	+0⅛	9.32
Nippon Telg.&Tel. 6 95	400	†86⅞	87⅜	+0⅝	+0⅝	9.20
Oesters. Kontbk. 5 93	300	90⅛	90⅞	+0⅛	+0½	9.07
Portugal 5¾ 92	150	93⅞	94¼	+0⅛	+0½	8.80
Portugal 6⅜ 95	150	89	89½	0	0	9.30
Royal Insurance 5½ 92	300	93	93½	-0¼	0	9.50
Turkey 6½ 95	500	†87⅝	88⅛	+0¼	+0¼	9.67
Union Bk.Finland 5½ 94	200	†88	88½	0	-0½	9.39
World Bank 6 98	500	†82¼	82⅞	0	+1	9.06
World Bank. 6¼ 97	600	85⅜	85¾	+0¼	+1	9.05
World Bank 6¼ 99	600	87	87⅜	0	+1⅜	8.84

Average price change... On day +0⅛ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†83½	84	0	+0⅛	8.46
Asfinag 5 03	100	†79½	80½	0	-0½	7.41
B.F.C.E. 4½ 98	200	†83	84	-0¼	-0⅛	7.24
B.M.W.Fin.Neth. 5 13	150	†74	74¼	+0⅛	-0⅝	7.37
Britannia B/S. 4¾ 94	100	†85½	85¾	-0⅛	-0⅞	8.56
CIR. Int. W/W 3 93	125	†83½	83¾	+4½	-0⅝	9.12
Credit Lyonnais 4⅞ 00	100	†78	78½	0	-0⅛	7.98
E.I.B 4⅝ 98	150	†81½	82½	+0¼	0	7.68
Finn. Exp. Cd. 8¾ 92	75	†99⅞	100	-0⅞	+1⅞	8.27
Fletcher Chall. 4⅞ 98	150	†77	78	+0¼	+1⅝	8.96
I.A.D.B. 6 2004	200	†85¼	86¼	-0¼	+0⅝	7.60
Kobe City 4⅝ 98	150	†81	82	0	-0¼	7.76
Leeds Perm. B/S. 4⅛ 93	200	†87½	88½	+0¼	+0⅛	8.95
Malaysia 5¼ 98	100	†79	80½	+0¼	+2⅝	8.83
Maxwell Comm.Crp. 5 95	150	†80½	81	+0⅛	0	9.99
Nat. Bk. Hungary 5½ 94	75	†84	85	+0½	+1	9.82
Nationwide Ang.B/S. 4 93	200	†86¼	87½	-0½	+0¼	8.92
Prov. Newfoundland 5 03	150	†78	78½	0	+0¼	7.62
Thailand 4⅝ 95	200	†82	84	+1	+0⅞	8.85
World Bank 5 03	150	†79	79¼	+0⅛	+0¼	7.54

Average price change... On day +0¼ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5⅛ 93	80	95⅝	96	0	+0⅜	7.14
Cr.Local France 6¼ 94	300	96⅝	96⅞	+0⅜	+1⅛	6.57
Denmark 6¼ 95	300	96⅜	96⅝	+0⅛	+1	6.59
Denmark 7 95	400	99⅞	100	+0⅛	+1⅛	7.02
E.I.B. 4⅞ 93	30	94⅜	94⅝	+0⅛	+0½	7.09
Norway 5⅛ 95	50	92⅝	92⅞	+0⅛	+0¼	6.91
Sweden 4⅝ 93	50	93	93¼	0	+0¼	7.24
World Bank 5⅛ 98	10	87⅛	87⅜	+0¼	+0½	7.26
World Bank 7 94	20	100¼	100⅜	+0¼	+0⅜	6.85

Average price change... On day +0½ on week +1

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	†90⅞	91	+0⅛	+1⅛	13.16
[illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aegon 7⅞ 92 FL	100	97⅝	98	0	-0⅛	8.10
Alg. Bk. Ned. 5⅛ 93 FL	200	91⅞	92	0	0	9.21
Austria 7½ 94 ECU	100	90⅝	91⅛	0	+0¼	10.47
Barclays Aus. 13½ 91 A$	100	98	98½	0	+0⅛	14.75
Bell Canada 10⅞ 04 C$	200	89	89½	+0⅛	+2⅛	12.49
BP Capital 9¼ 93 £	100	88⅝	89⅛	-0¼	+0⅛	14.68
British Airways 10 98 £	100	80⅛	80⅝	-0⅛	+1⅛	14.28
Brit. Telecom 9⅞ 93 £	150	†87⅞	88⅛	+0⅛	+0⅛	14.95
Comm.Bk.Aust. 12⅞ 93A$	100	†95	95½	+0⅛	+0⅛	14.65
Comm. Bk.Aus. 13¼ 94 NZ$	60	100⅛	101⅛	+0⅛	-0⅛	13.37
Credit Foncier 9 96 Ecu	100	92⅞	93¼	0	+0⅞	10.59
CreditFoncier 9⅜ 99Ecu	150	†92⅞	93⅛	+0⅛	+0⅞	10.50
Cr.Local Fran. 10⅛ 95 Ecu	225	98⅞	99⅞	+0⅛	+0⅛	10.50
Deut. Bk.Aus. 13⅞ 93 A$	125	97½	98⅛	0	-0¼	14.14
Deutsche Bk.Fin. 15 94 A$	100	102¼	102⅝	+0⅛	+0⅛	14.17
Elec.De France 9¾ 99C$	150	–	–	–	–	–
E.I.B. 7 96 LFr	100	*†89½	89½	0	0	9.44
E.I.B. 7⅛ 99 FL	150	88	88½	+0¼	+0½	9.03
E.I.B. 9 99 Ecu	150	†91⅛	91⅝	-0¼	+0⅝	10.51
E.I.B. 10 97 Ecu	800	97⅛	97⅝	0	+1	10.49
Eurofima 7⅞ 94 Ecu	100	91⅞	92⅛	0	+0¼	10.34
Fed. Bus. Dv.Bk. 9⅞ 92 C$	75	†93⅞	94⅛	-0⅛	+0⅛	13.14
Ford Cr.Can. 10⅞ 93 C$	100	†94¼	94⅝	-0¼	+0⅛	13.20
Ford Cred.Can. 10⅞ 96C$	125	91⅛	92⅛	+1½	+2	12.89
Ford Cred.Fund. 10⅝ 93£	60	89⅛	89⅞	-0⅛	+1	14.62
G.M.A.C.Canada 11 3/4 94C$	100	96⅛	96⅝	+0⅛	+1⅛	12.97
Heineken 7⅞ 94 FL	150	95⅞	96⅛	0	+0⅛	8.10
Hydro-Quebec 11 99 C$	400	91⅞	92¼	+0⅛	+2⅛	12.51
Lloyds Bank 10⅛ 98 £	150	81⅛	81⅝	-0¼	+1⅛	14.34
Lloyds Bank 11⅞ 98 £	100	–	–	–	–	–
Nat. Aus. Bk. 14⅞ 94A$	100	99⅛	99⅝	-0⅛	-0⅛	14.91
New Zealand 9⅞ 93 £	100	88⅛	88⅞	-0⅛	+1	14.47
O.E.K.B. 10⅛ 99 C$	150	88⅛	88⅝	0	+1⅜	12.42
Royal Bk.Scot. 10⅝ 98 £	125	83⅛	83⅝	-0¼	+1⅛	14.31
Saskatchewan 10⅛ 93 C$	200	92⅛	92⅝	+0⅛	+0⅝	12.99
State Bk.NSW. 13⅞ 93A$	100	97⅛	98⅛	0	+0⅛	14.54
Sweden 7½ 93 Ecu	250	†91⅞	92⅛	-0⅛	+0⅛	10.24
Sweden 15 94 A$	100	102⅛	102⅝	0	-0⅛	14.12
Toyota Mtr.Cr. 10⅝ 94C$	150	91⅛	91⅝	+0⅛	+1⅝	12.91
Toyota Mtr.Cr. 11⅛ 92C$	150	96⅛	97⅛	0	+0⅝	13.12
World Bank 7⅛ 99 FL	300	88⅛	88⅝	+0⅛	+0⅞	9.05
World Bank 9⅛ 95 Ecu	100	†96⅛	97⅛	+0⅛	+0⅞	10.28
World Bank 10⅞ 99 £	200	89⅛	90	-0¼	+0⅞	14.19
World Bank 13⅞ 92 A$	100	98⅛	98⅝	+0⅛	0	14.20
World Bank 14⅛ 94 A$	75	99	99½	0	+0¼	14.43
Zentrspk. 13¼ 93 A$	75	†98⅛	98⅝	-0¼	+0⅛	13.76

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.87	99.97	24/07	15.33
Bank of Greece 99 US	*0⅛	98.50	98.50	8/09	8⅝
Belgium 91 US	0	99.94	100.04	21/08	8.32
Chelt.& Gloucester 94 £	.063	99.75	99.80	31/05	15⅛
Credit Foncier 98 US	.063	99.58	99.65	20/10	8.44
Dresdner Finance 99 DM	†.031	100.18	100.28	30/07	8.81
EEC 3 92 DM	†0	100.54	100.64	21/08	9
Halifax BS 94 £	.1	100.01	100.06	9/05	15.22
Invt. in Industry 94 £	0⅛	99.93	100.03	17/07	15.37
Leeds Perm. B/S. 94 £	0⅛	100.06	100.11	17/07	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.87	99.93	29/06	15.31
New Zealand 5 97 £	.07	99.95	100.05	22/05	15.06
Northern Rock 92 £	0⅛	99.83	99.88	30/07	15.44
State Bk. Nsw. 98 US	.188	99.40	99.65	14/08	8.56
Woolwich Equit.BS. 93 £	0⅛	100.02	100.07	17/07	15.37
Woolwich 5 95 £	0⅛	99.92	99.95	22/05	15⅛

Average price change... On day -0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	108⅛	109⅛	+0⅛	5.47
Amer. Brands 5⅛ 05 US	4/90	79.	99	99⅞	0	21.25
Asda 4¼ 02 £	3/87	1.64	101⅛	102⅞	+0⅛	70.48
Bank of Tokyo 3⅞ 04 US	3/89	1772.	67⅞	68⅞	+0⅛	6.40
CBS. Inc. 5 02 US	4/87	200.	98⅞	99⅞	+0⅛	8.16
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	72⅛	73⅛	0	16.59
Daiwa Bank 3⅞ 05 US	2/90	1628.	89⅞	90⅞	+0⅛	4.58
Primerica 5½ 02 US	4/87	66.75	71⅛	72⅛	+0⅛	61.92
Eng.China Clay 6⅛ 03 £	9/88	4.8	78	79	+0⅛	2.67
G.M.K. 7½ 2000 US	2/90	1.37	75⅞	76⅞	0	79.22
Ladbroke Grp. 5⅛ 04 £	6/89	3.55	93¼	94¼	+0⅛	19.50
Land Secs. 6¼ 02 £	6/87	6.72	76½	77½	-0⅛	9.86
Minolta Camera 2¼ 94DM	2/86	1004.	93¼	94½	-0⅜	13.73
MCA Inc 5½ 02 US	9/87	69.62	93⅞	94⅞	-0¼	14.67
Mitsubishi Bk. 3½ 04US	5/89	5266.	71⅞	72⅞	+0⅞	16.79
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	+0⅛	591.21
Omnicom Inc. 6 1/2% 04 US	7/89	28.	102⅛	103½	+0⅞	19.66
Ranks Hovis 4¼ 03 £	1/88	3.5	106⅛	107⅞	0	1.49
Redland 7⅛ 02 £	1/87	5.4	100⅛	101⅛	+1⅛	-2.89
Saatchi&Saatchi 6⅛ 03 £	10/88	4.41	64	64⅛	-0⅛	140.12
Sanwa Bank 1¼ 02 US	10/87	2767.	76½	78⅛	+2	7.42
Sumitomo Bank 3⅛ 04 US	2/89	3897.	66⅛	67⅞	+0⅛	20.97
Texas Inst. 2¼ 02 US	9/87	82.87	74⅞	75⅛	+0⅛	72.61
Utd.N'papers 8 04 £	10/89	8.77	129⅞	130⅛	-0⅛	258.20
W.R. Grace 6¼ 02 US	9/87	42.12	82⅛	83⅛	+0⅛	29.49

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US bonds fail to recover despite interest in auction

By Janet Bush in New York and Deborah Hargreaves in London

US Treasury bonds fell yesterday morning ahead of the $10bn 10-year auction and failed to recover, despite the fact that the sale appeared to have gone well with good competitive and non-competitive interest.

GOVERNMENT BONDS

In late trading, the Treasury's benchmark long bond was quoted ⅛ point lower to yield 8.87 per cent while the 8.5 per cent issue due to mature in 2000 was down nearly ¼ point to yield 8.88 per cent.

The average yield on the 10-year sale was 8.88 per cent. Total subscriptions were $30.04bn, of which $659m were non-competitive tenders, a healthy total at a 10-year sale.

The reason for the market's erosion, despite these results, appears to have been due to a combination of factors. Firstly, there was concern that healthy demand at the 10-year sale could detract from the level of bids at today's 30-year auction.

Secondly, there were reports that Japanese participation had not been as large as expected. Estimates suggested that the Japanese took about 20 to 30 per cent of the 10-year auction compared with about 30 to 40 per cent of the three-year sale on Tuesday.

Thirdly, there were reports that the Resolution Trust Corp, which oversees the bail-out of the thrift industry, had dumped some mortgage securities in the 10-year area. This could put pressure on Treasuries in this area of the yield curve, according to dealers who argued that any sale of mortgage securities would be hedged by selling Treasuries.

Bonds had already been weak yesterday morning, partly reflecting a drop in the dollar overnight which had suggested that overseas investors were not stockpiling the US currency to buy Treasuries this week. Dealers had clearly also been trying to boost yields in advance of the 10-year sale.

■ THE FRENCH bond market saw some consolidation yesterday after its recent strong gains as investors worried about the threat of a vote of no confidence in the ruling Socialist Government last night.

Some technical charts also showed the OAT market to be overbought which was another factor putting pressure on bond prices. Futures prices for the notional 10-year bond that trades on the Matif were at 103.32 at the close of trading after dropping from a level of 103.48 at the market's opening.

There was a feeling in the market that last night's censure vote would fail to materialise, but that it has shown a chink in the Government's armour and has cast a shadow – albeit a small one – over the long end of the French fixed income sector.

■ Similarly, the German market eased yesterday after its recent firmer tone. Bunds opened strongly on a spill-over in demand from the Dutch auction where the Government surprised the market by selling only Fl 3bn of paper which was below expectations of Fl 4-6bn.

After the initial rush, however, Bunds slipped into a day of lethargy where prices drifted downwards. Investor interest in the long end of the German market has dissipated amidst a flurry of rumour about a new issue of bonds by the German Government.

Many traders believe the Government will bring a new straight issue of bunds to the market within the next week after its recent flirtation with floating-rate note issues met a lukewarm reception.

The Dutch bond market was trading strongly yesterday on the back of demand for the new issue which rose above its issue price to 101.05-101.20 in the course of the day.

■ It was another choppy day for the UK gilts market as investors tried to find a level ahead of Friday's release of the retail price index. The long gilt futures contract dropped a point to 79.31 towards the close of trading.

The gilts' market euphoria over the UK local government elections last week has died and investors feel that yields below 12 per cent at the long end of the market are unjustified given the continued uncertainty about the outlook for inflation in the UK.

● Yamaichi Securities, the Asian Development Bank (ADB) and several Indonesian concerns are to set up a joint venture securities company in Indonesia, Reuter reports.

The company, PT Asian Development Securities, with a paid-in capital of 15bn rupiah, will be owned 49 per cent by Yamaichi and 14 per cent by the ADB.

PT Tri Handayani Utama, a subsidiary of the pension fund of Bank Negara Indonesia 1946, the largest and state-owned commercial bank in Indonesia, will hold 10 per cent and four other Indonesian companies will have smaller shares.

PT Asian Development Securities will conduct all-round securities business including brokerage and investment advisory services concerning Indonesian capital markets.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-25	-03/32	13.48	13.95	13.24
		10.500	5/99	88-07	-09/32	12.73	13.11	12.35
		9.000	10/08	80-20	-12/32	11.55	11.94	11.36
US TREASURY *		8.500	02/00	97-15	-06/32	8.89	9.10	8.59
		8.500	02/20	96-04	-14/32	8.87	9.06	8.55
JAPAN	No 119	4.800	6/99	88.6660	+0.216	7.22	7.41	7.19
	No 2	5.700	3/07	89.6663	+0.070	7.04	7.12	7.24
GERMANY		7.750	02/00	95.2600	+0.250	8.47	8.86	8.84
FRANCE	BTAN	9.000	02/95	96.9307	-0.216	9.81	9.98	10.02
	OAT	8.500	03/00	93.9000	+0.010	9.47	9.69	9.62
CANADA *		9.750	05/00	88.4000	-0.100	11.26	11.76	11.56
NETHERLANDS		7.750	01/00	93.0500	+0.580	8.83	9.12	8.98
AUSTRALIA		12.000	7/99	91.6231	+0.099	13.61	13.63	13.43

London closing. *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Citibank wins global custody accounts

By Andrew Freeman

CITIBANK, the US commercial bank, announced yesterday that its Edinburgh operation has won two large global custody accounts from local life assurance companies. The bank is taking charge of around $5.5bn of assets for Scottish Provident and Scottish Widows' pension fund management subsidiary.

The news followed Tuesday's confirmation by Chase Manhattan that it had won similar business from Standard Life in Scotland and confirms a recent trend by which US banks have dominated custody appointments from UK insurers.

Global custody is a banking product involving asset safekeeping, transaction settlement and portfolio reporting for pension fund and fund manager clients.

Mr Ian Cormack, head of Citibank's European financial institutions group, said: "Our main aim is to support the internationalisation of the Scottish financial marketplace." Citibank now has more than $7bn of assets under custody for Scottish institutions and claims to have won over 8 per cent of the market in two years.

The Scottish Provident portfolio consists of $1.4bn of global assets representing more than half of Provident's managed funds.

In addition, Citibank will be the global custodian for $4.1bn of funds for the pensions management operation of the Scottish Widows.

Merrill to invest in Turkish equities

MERRILL Developing Capital Markets Fund, managed by Merrill Lynch, plans equity purchases in Turkey, Reuter reports.

The open-end fund may invest some 2 to 4 per cent of its $80m portfolio in Turkey in the next few months.

Nomura sees London as Euro-centre

By Richard Waters

NOMURA is to set up a European headquarters company in London in the first move of its kind by a Japanese securities house, although others may follow suit with still more ambitious plans in the near future.

The "Big Four" Japanese brokerage houses say these moves underline their confidence that London will remain Europe's leading financial centre and indicate a desire to put more control into the hands of locally based managers.

Nomura's move involves the creation of a joint venture service company to handle the functions of a regional head office. Majority ownership will be in the hands of European offices, with Tokyo taking 45 per cent.

The company will have responsibility for five functions across the whole of Europe: research, planning, accounting, personnel and legal work. It will not be involved in the group's operations.

However, the company will have capital of ECU 30m, suggesting that its activities may be extended in the future. Nomura declined to comment further on its plans, which were agreed at a management meeting on Tokyo on Monday.

While Nomura's headquarters company merely formalises an existing management structure, other Japanese securities firms are preparing for more radical changes.

Yamaichi, another of the "Big Four," said that a plan has recently been put forward to its Tokyo head office proposing a London-based holding company through which all European operations would be owned.

According to Mr Haruo Sato, chief executive of Yamaichi in London, the change, if it is adopted, would further Yamaichi's aim of becoming a truly global securities house, rather than a Japanese one, said Mr Sato.

Tax problems make this form of intermediate regional holding company unattractive, although there may be ways of reducing the disadvantages. For instance, tax would fall due on the transfer of ownership of the subsidiaries.

Also, the Tokyo parent would suffer from the tax treatment of dividends paid by the regional holding company – although this could be got round by allowing the European company to retain its earnings to finance future development in Europe, said Mr Sato.

Another of the Big Four, Daiwa, said recently that it was also planning a London-based holding company for its European operations.

Political fears hit Crédit Lyonnais deal

By Andrew Freeman

THE TRADING performance of some of yesterday's new issues showed how vulnerable the Eurobond market is to current gyrations in government bond markets. Several deals were troubled by weakening government bonds and other recent new issues began to look expensive.

INTERNATIONAL BONDS

Crédit Lyonnais suffered most visibly as its FFr1bn five-year deal was pushed outside fees during the afternoon by follow-through sentiment during what traders described as aggressive selling of French government paper. Political uncertainty was blamed for the poor tone and most French franc financial assets came under pressure.

The bonds were launched with a 10 per cent coupon and priced to yield 68.5 basis points over the 8.7 per cent OAT issue. Rival syndicate officials said this pricing was generous, but felt that Crédit Lyonnais had not moved quickly enough after opening the deal.

However, the lead manager said it had placed the majority of the paper itself and that the deal would work in time. The bonds were quoted less 2⅛ bid, compared with full underwriting fees of 1⅞ per cent.

The Alliance & Leicester Building Society tapped the market with a £100m fungible five-year deal via Baring Brothers. The bonds were launched at an attractive 111 basis points over the 10¼ per cent five-year gilt and at a ⅛ point price discount to the existing £100m deal.

There were pockets of demand for fixed-rate bonds, although syndicate members expressed frustration at the minimal returns available for underwriters. Baring placed around half the deal and J.P. Morgan took a large allocation as senior co-lead manager. Initial confusion about whether the deal was a fixed-price re-offer was quickly discounted.

Traders reported that as much as one third of the issue was asset-swapped to achieve yields of around 20 basis points over Libor. In a weakening sterling bond market, the paper was quoted by Baring at less 1⅞ bid, a discount equivalent to full fees.

Banco Bilbao Vizcaya was the lead manager of a successful Matador deal for the European Investment Bank. The Pta20bn 10-year issue is fungible from March 1991 with an existing Pta15bn deal, making it the largest outstanding Matador. The bonds carried a 13.9 per cent coupon and after opening at 98.25 traded up to 99.05 bid, against an issue price of 99.50. There was strong demand from domestic and international investors. Underwriting fees were 1⅞ per cent.

An Ecu150m four-year deal for Toyota Motor Credit Corporation was launched by Paribas Capital Markets to a good reception. A mixture of unexpectedly strong institutional and more predictable retail demand allowed the bonds to trade steadily inside fees at less 1.55 bid.

The deal was designed to avoid the crowded five-year area of the sector where benchmark issues proliferate and where its 10⅜ per cent yield might have looked expensive. The issue proceeds were swapped into US dollar commercial paper to achieve a competitive funding level.

A rare issue for a corporate borrower was launched in the guilder sector by Bank Mees En Hope for SHV Holdings. The Fl 200m 10-year deal came with a 9⅜ per cent coupon and was trading ½ point inside fees at par bid.

In Germany, Commerzbank increased Tuesday's floating-rate issue for the Kingdom of Belgium to DM400m after improved institutional demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
Credit Lyonnais(b)◆	1bn	10	101⅛	1995	1⅞/1¼	Credit Lyonnais
STERLING						
Alliance & Leicester B.S(d)◆	100	14⅛	100.475	1995	1⅞/1¼	Baring Brothers
ECUs						
Toyota Motor Credit Corp(b)◆	150	10⅜	101⅝	1994	1⅝/1⅛	Paribas Capital Markets
PESETAS						
EIB(a)◆	20bn	13.9	99½	2000	1⅞/1¼	Banco Bilbao Vizcaya
GUILDERS						
SHV Holdings NV(b)◆	200	9⅜	101½	2000	2/1⅜	Bank Mees en Hope
D-MARKS						
Belgium, Kingdom of(c)‡◆	400	-⅛	100.10	1995	10/5bp	Commerzbank
FINNISH MARKKA						
Abbey National Treasury(b)◆	150	14	101.85	1992	1¼/⅞	Bankers Trust Int.

‡Floating rate notes. ◆Final terms. a) Fungible from March 1991 with Pta15bn bond launched in March. Non-callable. b) Non-callable. c) Issue increased from DM300M. Coupon pays ⅛ under 6-month Libor. Non-callable. d) Fungible with existing £100m bond from June 8. Issue price plus accrued interest.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed May 9 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue May 8 Index No.	Fri May 4 Index No.	Thu May 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (199)	824.27	-0.6	14.11	5.50	8.58	14.32	828.93	823.68	815.86	958.03
2 Building Materials (27)	1010.46	-0.5	15.70	5.88	7.84	16.86	1015.98	1009.90	996.49	1199.97
3 Contracting, Construction (36)	1289.46	-0.5	18.75	6.36	6.97	31.00	1295.77	1283.46	1278.79	1690.11
4 Electricals (10)	2353.14	-0.2	12.09	5.69	10.18	39.90	2358.70	2346.80	2332.46	2842.69
5 Electronics (29)	1747.88	-0.9	10.32	4.25	12.56	18.56	1764.29	1749.48	1738.75	2190.83
6 Engineering-Aerospace (8)	442.16	-0.8	14.73	5.27	8.10	9.03	445.61	447.32	441.48	0.00
7 Engineering-General (43)	455.68	-0.3	12.49	5.49	9.68	8.17	457.06	456.26	452.04	0.00
8 Metals and Metal Forming (6)	471.48	+0.3	24.96	6.61	4.52	0.53	470.21	467.35	466.16	542.46
9 Motors (16)	337.60	-1.3	16.52	6.67	7.08	9.47	342.18	338.72	335.37	317.91
10 Other Industrial Materials (24)	1496.66	-0.4	11.92	5.32	9.69	31.01	1503.38	1491.19	1472.56	1602.43
21 CONSUMER GROUP (178)	1181.53	-0.5	10.06	4.16	12.35	10.37	1187.34	1172.48	1164.13	1201.79
22 Brewers and Distillers (21)	1389.32	-0.5	10.25	3.97	11.83	12.62	1396.19	1383.36	1370.14	1334.93
25 Food Manufacturing (20)	1028.26	-0.1	10.89	4.58	11.38	14.80	1029.31	1019.09	1014.38	1036.11
26 Food Retailing (16)	2245.83	-0.3	9.70	3.51	13.30	15.05	2253.54	2221.94	2201.22	2157.55
27 Health and Household (14)	2439.75	-0.8	7.08	2.85	16.81	17.14	2458.28	2425.78	2423.23	2229.66
29 Leisure (32)	1317.17	-0.4	11.06	4.52	11.08	11.41	1322.88	1309.15	1297.51	1647.59
31 Packaging & Paper (12)	553.15	+0.8	13.25	6.13	9.64	11.66	548.50	544.91	542.90	577.05
32 Publishing & Printing (16)	3161.68	-0.3	10.60	5.68	11.89	50.81	3171.78	3127.59	3095.77	3555.56
34 Stores (35)	719.27	-0.8	12.28	5.11	10.53	2.12	725.13	711.97	703.00	787.99
35 Textiles (12)	455.89	-0.5	14.76	7.81	8.53	3.77	458.03	451.37	448.86	526.95
40 OTHER GROUPS (105)	1080.71	-0.8	11.75	5.28	10.19	9.12	1089.43	1082.24	1073.09	1081.62
41 Agencies (17)	1543.74	-1.2	6.36	2.55	19.01	12.89	1562.39	1569.29	1532.70	1317.45
42 Chemicals (23)	1169.59	-0.6	12.22	5.64	9.57	25.08	1177.08	1177.46	1170.49	1233.68
43 Conglomerates (14)	1503.50	-0.7	10.70	6.50	10.99	10.73	1514.02	1503.59	1497.48	1572.94
44 Transport (13)	2104.60	-0.6	11.33	4.68	11.23	25.71	2116.71	2107.70	2101.29	2391.68
46 Telephone Networks (2)	1071.57	-0.8	11.85	4.78	10.98	0.00	1080.27	1068.11	1049.90	1117.78
47 Water (10)	1859.53	-1.0	18.74	7.28	5.91	0.00	1878.98	1853.73	1832.91	0.00
48 Miscellaneous (26)	1679.49	-0.9	12.37	5.04	9.22	18.48	1695.40	1682.48	1678.16	1467.78
49 INDUSTRIAL GROUP (482)	1073.77	-0.6	11.59	4.84	10.51	11.59	1080.31	1070.45	1061.75	1126.27
51 Oil & Gas (18)	2202.31	-0.9	12.31	5.48	10.73	36.63	2222.10	2212.59	2168.87	1988.68
59 500 SHARE INDEX (500)	1167.77	-0.6	11.69	4.93	10.54	13.59	1175.36	1165.45	1154.04	1199.76
61 FINANCIAL GROUP (110)	757.60	-1.3	–	6.03	–	18.31	767.35	760.65	747.36	752.07
62 Banks (9)	805.90	-2.3	20.45	6.67	6.40	24.92	825.15	818.28	794.82	754.01
65 Insurance (Life) (7)	1266.10	-0.2	–	5.80	–	36.94	1269.09	1254.42	1229.98	1067.38
66 Insurance (Composite) (7)	637.21	-1.1	–	6.49	–	19.43	644.22	637.96	627.22	597.48
67 Insurance (Brokers) (7)	1066.61	-0.5	8.05	6.10	16.40	27.41	1072.43	1055.40	1041.18	965.77
68 Merchant Banks (7)	415.19	-0.8	–	4.59	–	4.85	418.35	427.48	409.48	334.37
69 Property (48)	1060.54	-0.2	8.34	4.24	15.28	8.07	1063.03	1055.23	1058.60	1325.12
70 Other Financial (25)	297.34	-0.8	14.98	7.51	8.75	4.23	299.61	297.43	295.22	374.29
71 Investment Trusts (67)	1139.70	-0.4	–	3.36	–	9.53	1144.18	1139.28	1130.83	1143.07
91 Overseas Traders (5)	1278.16	-1.3	9.65	7.14	12.69	42.87	1294.99	1291.61	1273.58	653.731
99 ALL-SHARE INDEX (682)	1068.97	-0.7	–	5.06	–	14.48	1076.89	1067.95	1056.31	1355.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 8	May 4	May 3	May 2	May 1	Year ago
FT-SE 100 SHARE INDEX♦	2162.7	-19.3	2179.7	2160.6	2182.0	2162.2	2134.9	2137.6	2117.9	1090.61

FIXED INTEREST

PRICE INDICES	Wed May 9	Day's change %	Tue May 8	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	112.99	-0.07	113.16	0.08	4.71
2 5-15 years	115.98	-0.16	116.17	–	4.96
3 Over 15 years	119.42	-0.33	119.81	–	4.77
4 Irredeemables	134.69	-0.13	134.87	–	6.12
5 All stocks	117.02	-0.15	117.23	0.03	4.91
Index-Linked					
6 Up to 5 years	143.54	+0.24	143.20	–	1.49
7 Over 5 years	134.69	-0.14	134.88	–	1.38
8 All stocks	135.24	-0.11	135.40	–	1.38
9 Debentures & Loans	94.12	-0.18	94.29	–	3.30
10 Preference	73.83	+0.10	73.76	–	2.07

AVERAGE GROSS REDEMPTION YIELDS		Wed May 9	Tue May 8	Year ago (approx.)
British Government				
1 Low Coupons	5 years	12.04	12.04	9.69
2	15 years	11.44	11.38	9.26
3	25 years	11.28	11.22	9.07
4 Medium Coupons	5 years	13.12	13.07	10.72
5	15 years	11.96	11.93	9.70
6	25 years	11.48	11.44	9.26
7 High Coupons	5 years	13.22	13.17	10.84
8	15 years	12.28	12.24	9.91
9	25 years	11.78	11.75	9.43
10 Irredeemables	†	11.34	11.32	9.07
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.36	4.45	3.55
12 Inflation rate 5%	Over 5 yrs.	4.12	4.10	3.58
13 Inflation rate 10%	Up to 5 yrs.	3.39	3.47	2.65
14 Inflation rate 10%	Over 5 yrs.	3.94	3.93	3.42
15 Debs & Loans	5 years	16.17	16.02	12.27
16	15 years	13.99	13.89	11.55
17	25 years	13.68	13.66	11.10
18 Preference	†	12.58	12.59	10.19

♦Opening index 2179.4; 9 am 2174.4; 10 am 2171.4; 11 am 2171.1; Noon 2170.8; 1 pm 2170.7; 2 pm 2166.6; 3 pm 2165.3; 4 pm 2161.3; 4.10 pm 2161.7; (a) 2179.7 (b) 2160.6 † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	75	12
Corporations, Dominion and Foreign Bonds	1	8	15
Industrials	294	442	848
Financial and Properties	105	195	439
Oils	16	38	36
Plantations	2	1	7
Mines	24	41	97
Others	50	82	115
Totals	504	882	1,569

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+ or –	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or –
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or –
20	Nil	–	8pm	6pm	*ASB Barratt Kleinings 2p	6pm	
¼	Nil	–	½pm	¼pm	Amercorp Energy 2p	½pm	
200	Nil	–	28pm	25pm	♦Clinton Cards 10p	26pm	
200	Nil	–	2pm	2pm	Northern Investors £1	2pm	
B165	Nil	–	25pm	5pm	♦Other Resources Units	6pm	-4
59	Nil	–	15pm	10pm	PWS Hldgs. 10p	15pm	
550	Nil	–	90pm	40pm	Paribas French Units	50pm	-2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted Securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings May 8
- Last Dealings May 18
- Last Declarations Aug. 2
- For settlement Aug. 13

For rate indications see end of London Share Service

Calls in T. Cowie, Coloroll, Control Securities, Kleen-E-Ze, Kelt Energy, Mecca Leis., Ovoca Gold, Rosehaugh, Speyhawk and Tuskar Res. Puts in ADT and T. Cowie. Puts and calls in Parkfield, Speyhawk and Tuskar Res.

LONDON TRADED OPTIONS

THE STOCK derivative markets were quiet yesterday as dealing in underlying equities remained subdued. The stock market reversed the previous day's gains, which encouraged buying of FT-SE 100 index puts options and selling of calls. But turnover of index options was considerably below the levels prevailing earlier in the week, while in the futures market, activity continued to decline.

The early fall in the stock market set the tone for the day's trading, but for once the FT-SE futures contract appeared to have little impact on the cash index.

The steady fall in the FT-SE index throughout the session prompted some investors to attempt to sell longer-dated futures contracts. However, the trades were unable to be executed and instead December puts were purchased.

In spite of the stock market's decline, for most of the day the March FT-SE traded at a premium close to 30 points, which was just below fair value. Dealers said this indicated a degree of residual support in the market.

Total FT-SE index turnover stood at 5,260 contracts, which was approximately a quarter of the previous day's total. Yesterday's business was divided between 3,824 puts and 1,436 calls.

The larger trades included the purchase by Barclays de Zoete Wedd of 1,000 December 2,100 puts at 72p, which was a hedge for a large equity portfolio. Sellers of the May 2,200 calls were also noted.

Among the equity options, British Aerospace was the most active as one house, said to be UBS Phillips & Drew, bought 300 May 460 puts.

Pilkington continued to attract attention as spread trades, involving May and August puts, boosted turnover. Total business amounted to 1,535 lots, made up mostly of puts.

Total options market turnover stood at 20,466 contracts, just over half that of the previous day. Calls accounted for 8,020 lots and puts 12,446.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*423)	420	19	37	47	22	22	27
	460	8	19	27	52	53	55
	500	2½	9	–	90	90	–
ASDA (*99)	80	23	24	27	1½	2½	3½
	90	15	17	20	3	5½	6½
	100	8	10½	15	7	8½	9½
[illegible]							

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Unilever (*638)	600	60	84½	101	6¼	12¼	15½
	650	26¼	51¼	69	25¼	31½	34½
Ultramar (*329)	300	43	53	63	4	9	12
	330	22	33	45	14	19	23
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Barclays (*523)	500	37	50	55	7	18	20
	550	10	23	38	33	44	47
Blue Circle (*208)	200	15	26	30	4	7½	9
	220	5	12	20	16	18	19
British Gas (*204)	200	9½	13	20	4½	9½	12
	220	2	5	11	17	22	25
[illegible]							

Currency gain helps Jefferson Smurfit to I£246m

By Maggie Urry

JEFFERSON SMURFIT, the Irish-based paper and packaging group, reported a 4 per cent rise to I£245.52m (£239.3m) in pre-tax profits in the year to end-January, a period when the group recapitalised the bulk of its North American operations.

Mr Dermot Smurfit, joint deputy chairman, said the results compared favourably with many North American paper groups which had seen sharp falls in profits and would do so again in the current year.

Over half Smurfit's profits come from North America. He said that without benefits of currency translation, which added about $11m (£6.6m) to profits, and acquisitions, group profits would have been down. The shares rose 13p to 643p.

Turnover of businesses owned by the group rose by 21.2 per cent to I£1.66bn, but total sales managed by the group, including associate companies, were nearly I£4bn.

Fully diluted earnings per share were 51p (47p) and the final dividend is raised by 7.5 per cent to 3.237p to give a total of 4.7p (4.372p). There was an extraordinary gain of I£327.3m from the recapitalisation of the North American activities.

Mr Smurfit said this restructuring would have a significant effect on the profit and loss account in the current year, making the company look smaller.

The group had had a 78 per cent-owned subsidiary, Jefferson Smurfit Corporation (JSC), which in turn had a half share of Container Corporation of America (CCA).

The restructuring had resulted in JSC and CCA merging and Smurfit holding a 50 per cent stake in the resulting business, which had equity of $500m and debt of $2.6bn. This allowed Smurfit to take $1bn in cash out of the North American businesses.

The move, completed last December, was similar to the group's original leveraged purchase of CCA in 1986 which had been a success. Mr Smurfit said "Not all debt is bad if you use it properly. And we think we have used it very well."

However, as a result, the group's trading profits in the current year will fall. But the deal meant that Smurfit had net cash of I£464.3m at the year end, and instead of last year's net interest charge of I£31.91m (I£19.58m) there would be a sizeable interest receivable in the current year, Mr Robert Holmes, chief financial officer said.

Mr Smurfit said the restructuring would mean that the company "should be a gainer at the net, net level" in spite of a drop in trading profits. He said earnings per share in the current year would beat the paper and packaging industry average.

The group's North American business increased trading profits by 9.3 per cent to I£172.82m, which Mr Smurfit said was commendable given weak markets. He said the company would benefit from being a leading producer of newsprint made with a high proportion of recycled fibre as US states introduced minimum recycling laws.

Profits from Latin America were little changed at I£58.58m as a significant decline in profits from Venezuela was offset by the company buying out the minorities in the Mexican and Colombian businesses. Mexico also had a record year.

Irish profits rose by 6.6 per cent to I£16.02m, but UK profits fell by 36 per cent to I£5.95m because of weak trading conditions. Profits from other European subsidiaries were up 74 per cent to I£24.08m, helped by acquisitions. Mr Smurfit said the group planned to even up its geographical balance with more investment in Europe.

See Lex

Heavy buying buoys Mersey Docks shares

By Andrew Hill

SHARES IN Mersey Docks and Harbour Company jumped nearly 30 per cent yesterday, from 156p to 202p.

Barclays de Zoete Wedd, the principal securities house involved in purchasing the stock, refused to comment on the identity of the buyer or buyers. "All I know is that we were paying 199p for as many shares as we could get," said one BZW broker.

BZW was said to have bid for about 1m shares, nearly 2 per cent of the equity.

Mersey Docks said it had no comment to make on the leap in the share price and no immediate intention of making a statement. At 202p the whole company is worth just over £121m.

Peel Holdings, the quoted property company which owns 10 per cent of Mersey Docks, said it was not buying or selling in the market yesterday.

Mr John Whittaker, Peel's chairman, controls the Manchester Ship Canal Company through a private vehicle, and made a tentative approach to Mersey Docks in 1987, through Peel.

He was deterred from making an offer by the high level of debt at the Liverpool company, which owns much of the city's revived docklands. But last May the Government, which owns a 20.67 per cent stake in the Liverpool company, agreed to write off £110m of repayable grants and £1.5m of loans.

There has been considerable speculation about the future of the Government's stake, acquired in 1970 after the collapse of the Mersey Docks and Harbour Board.

Mr Cecil Parkinson, the Transport Secretary, told Parliament in February that it would not be appropriate to sell the shares while there was a Department of Trade and Industry inquiry going on into possible insider dealing in Mersey Docks shares. The Government had said earlier that it planned to sell the stake gradually.

Protests from Dick Brooks (left), general manager, and Chief Gaiashkibos, of a Chippewa band of Indians, about the possibility of a mine being developed on American Indian land in northern Wisconsin, enlivened the RTZ Corporation's annual meeting in London yesterday, writes Kenneth Gooding, mining editor.

Other protests came from a man who has seen a 212-metre exploration trench dug just outside his home in County Omagh, Northern Ireland, and there were questions about health and safety at the company's Rössing uranium mine in Namibia and about its Capper Pass smelter near Hull, an area where the incidence of cancer is higher than average.

All this completely overshadowed the announcement by Sir Alistair Frame, chairman, of a considerable financial coup by the world's biggest mining group.

Presentations to the two credit-rating agencies in the US, Standard and Poor's and Moody's, resulted in RTZ being awarded the highest-possible rating for its short-term debt and a "double A" rating for long-term debt by both organisations.

This will enable the group to embark immediately on a $2bn (£1.2bn) US Commercial Paper programme. There will be an initial issue of $1.3bn of paper – short-term promissory notes – to refinance part of the $3.1bn debt raised for the acquisition last year of most of British Petroleum's mineral assets.

Mr TJ Lighterness, deputy finance director, said that the all-in cost of those new borrowings would be below Libor (London Inter-bank Offered Rate) while at the moment RTZ was paying Libor plus 30 to 40 basis points in interest

The Commercial Paper will be issued by two US subsidiaries and guaranteed by RTZ which has covered its potential obligations by putting in place individually with a number of banks four-year financial facilities, extendable by another three years.

Crystalate incurs £0.9m loss

By Clare Pearson

CRYSTALATE Holdings, the electronics components concern for which TT, the industrial holding group, has made a hostile bid yesterday announced it had plunged into a £897,000 loss in the half-year to end-March.

The result, which compared with a £2.29m profit last time, had been expected. The shares, valued at 83p under TT's £32m offer, closed down 2p at 80p.

Operating profits stood at £31,000 (£3.08m). There was a £225,000 above-the-line surplus on disposal of property, but net interest payable rose sharply to £1.15m (£788,000).

However, the interim dividend is maintained at 2.2p. The company said it was confident of an improvement in performance.

It said the benefits of its recovery strategy had yet to flow through. Short-term borrowings would be substantially reduced following the disposal of the telecommunications division, completed in March.

During the first half, Crystalate suffered low levels of demand in Europe for both resistors and thick film hybrids from the telecommunications sector. Meanwhile the downturn in the US automotive market meant demand for resistive products in the US was very low.

But it said cost reduction programmes were underway. The manufacturing facility at Welwyn, Hertfordshire, was being restructured while some US manufacturing facilities were being relocated.

Last week Vishay Intertechnology, a US company operating in the same field as Crystalate, intervened in TT's bid by saying it was considering making a rival offer.

SmithKline dips 7% in first quarter

By Peter Marsh

SMITHKLINE Beecham, the Anglo-American pharmaceuticals and consumer-goods company, said yesterday that, in spite of a 7 per cent fall in pre-tax profits for the first quarter of 1990, underlying prospects for the business were good.

Taxable profit for the three months ended March 31 1990 was £219m, compared to £235m in the corresponding period of 1989. Sales increased by 16 per cent to £1.3bn, from £1.12bn last time.

The company, the world's second biggest medicines business, was formed last July from a merger between Beecham of the UK and the US's SmithKline Beckman.

In line with the drop in pre-tax profit, earnings per share declined 12 per cent from 12.3p to 10.8p over the period.

Mr Bob Bauman, chief executive, said at the operating level the performance of the company was "excellent". The results had been boosted by a combination of the sales forces from the two previously separate companies.

Mr Bauman expected a further strong performance later in 1990, particularly in pharmaceuticals.

The shares closed in London at 472p down 6p.

Although analysts were cheered by a 39 per cent growth in trading profits in SB's prescription-pharmaceuticals division, which rose from £130m in the first quarter of last year to £181m, they were disappointed by the performance in the company's consumer-brands unit.

Profit at an operating level for consumer brands declined 13 per cent from £47m to £41m. SB said the decline could be explained partly by high costs associated with increasing its advertising related to consumer products.

At a pre-tax level, the results were affected by large interest charges arising from the costs of the merger. SB hopes to reduce its borrowings over the next two years, partly due to a programme of cost-cutting.

It also aims to sell its European cosmetics operations in a disposal which could fetch about £300m. Since the merger, the company has sold several businesses which it says do not fit into its portfolio.

Reflecting the high borrowings, the company paid £55m in interest in the first quarter of 1990, compared with £4m last time. Total net borrowings for the company at the end of March stood at £1.47bn compared to £1.74bn three months earlier.

At an operating level, profit from SB's continuing operations for the quarter came to £246m, up 25 per cent on the £197m in 1989. Sales from continuing activities rose by 19 per cent from £972m to £1.16bn.

The company is paying a dividend for the quarter of 3.4p per share and 37 cents per US equity unit, this latter unit being held mainly by American investors. These figures compare with a dividend for the whole of 1989 of 5.2p per share and 55 cents per US equity unit.

Besides prescription-pharmaceuticals, animal health was another division of the company which performed well. Trading profit increased by 36 per cent to £15m (£11m). The company's small clinical-testing division registered a profit of £9m for the quarter (£9m).

Trafalgar House checked by property market

By Andrew Hill

GROWTH AT Trafalgar House, the shipping, property and construction group, was held back by the weakening UK commercial property market in the half-year to end-March.

The company still managed to increase profits from £113.8m to £116.9m before tax, but operating profits at Trafalgar's largest division, property and investment, slipped from £82.7m to £67m.

The volume of house sales through Trafalgar's Ideal Homes subsidiary was also lower – down from 1,900 to 1,400 units in the first half – although the company said underlying demand was still strong.

Group turnover rose to £1.68bn (£1.42bn), but property and investment sales declined from £347.4m to £224.6m.

Shares in Trafalgar, which owns the QE2 and London's Ritz Hotel, slipped 7p to 289p in a weak market.

Earnings per share rose from 18p to 18.5p in the half-year and a 10 per cent increase in the interim dividend to 8.8p (8p) is declared. But the company's attributable profits actually fell to £77.7m (£87.5m) after an extraordinary charge of £15.2m (£3m) relating to the closure of two structural engineering plants.

Meanwhile, construction and engineering, which is still facing strong competition from other international groups, made £34.4m (£23m) in operating profits and improved margins slightly on sales of £1.12bn (£782m). The division's order book has grown to more than £2.5bn, compared with £1.75bn last year.

The shipping and hotels operation also pushed up margins – from 6.5 per cent to 9 per cent – with operating profits of £30.2m (£18.9m) and turnover of £337.6m (£291.8m).

Borrowings stood at £496m (£513m) at March 31, or 56 per cent of shareholders' funds. Interest and finance charges were slightly higher at £14.7m (£10.8m).

See Lex

Bunzl chairman withstands resignation barrage

By Vanessa Houlder

JAMES White, chairman and chief executive of Bunzl, yesterday withstood shareholders' calls for his resignation at a turbulent annual meeting.

Mr Alan Diamond, a shareholder, fired the opening salvo saying he viewed the 1989 profits decline from £93.3m to £65.4m and the chairman's £20,829 salary increase to £420,415, with "disbelief, dismay and disgust".

Mr Diamond called on institutional investors urgently to seek a new chief executive. "Too much corporate power in one pair of hands has proved too expensive," he said.

These reproaches were echoed by Mr Richard Allan, another shareholder, who called for an injection of fresh blood at board level and suggested that Mr Diamond might take the post of non-executive director.

Another shareholder, Mr David Holland, compared the situation with a political or military one, where if policy proved to be misguided "the decent thing to do would be to resign."

In response, Mr White said "If I have left anyone with the impression that anyone on the board is happy with this situation, you have been misled.

Mr White said that in 28 months between 1986 and 1988 the company had been hyperactive, acquiring too many companies in too many businesses.

In particular, he regretted going into the transportation business, which he admitted cost the company £106m. "We did not fully understand the strength and the depth of the competition we would encounter."

When challenged about his salary, Mr White said it had been decided when the remuneration committee had access only to the 1988 results. He said he would "take on board" the view that he should not chair the remuneration committee, although he described his role as an administrative one.

A move to express dissatisfaction by voting against the reappointment of certain board members was quashed by a show of hands.

Brent Walker beats City forecasts

By David Churchill, Leisure Industries Correspondent

BRENT WALKER, the leisure and property group, yesterday failed to boost confidence in the leisure sector in spite of better-than-expected financial results for 1989.

The company announced pre-tax profits of £82.2m, well ahead of analysts' expectations of about £70m, and 97 per cent of the £41.7m achieved in 1988.

Initial City reaction was buoyant with the shares rising 13p to touch 315p. However, by the close, most brokers were less sanguine – the shares fell 7p on the day to 295p. Other leisure shares were largely unaffected by Brent Walker's figures. Mecca Leisure, for example, closed 1p down at 58p.

It had been Mecca's poor results last month that sparked a significant downrating of all leisure shares.

Brent Walker had originally planned to announce its results next week but was forced to bring them forward because of intense speculation that they would also be below market expectations.

The City's failure to respond, however, is understood to have upset Brent Walker's senior management, including Mr George Walker, the company's chairman. He said he failed to understand the City's rating of the company's shares, especially since assets per share were £10.18p.

Brent Walker's results were complicated by the wheeling and dealing over the past year which characterises Mr Walker's management style.

The results, for example, include a contribution from the Whyte & Mackay whisky distiller and distributor acquired from Lonrho in late 1988 for £180m. This helped Brent Walker's drinks division contribute £62.7m of trading profit against £5.3m in 1988.

Brent Walker, however, is in the process of selling Whyte & Mackay to Gallaher, the UK subsidiary of the US tobacco group American Brands, for £160m. In addition, Brent Walker has also sold the French vineyards acquired from Lonrho at the same time for £50m.

But the Brent Walker figures only include two and a half weeks of trading from the William Hill betting shops acquired late last year from Grand Metropolitan in a deal worth £685m.

Total turnover last year jumped to £526.03m (£128.94m) as a result of acquisitions. The dividend is being increased from 11p to 15p, with a proposed final of 10p.

The company said that it had reduced gearing over the year from about 150 per cent to 92 per cent at the year end. Mr Walker indicated that asset sales underway, including the sale of Whyte & Mackay and a management buy-out of the Goldcrest film operation for about £80m, would lead to total asset disposals this year of between £200m and £250m.

Brent Walker said that most of the company's loans were fixed at an average interest rate of 9.7 per cent.

City reaction also reflected a concern that the company remained vulnerable to less disposable income being available for consumers to spend on leisure. Mr Brent Walker's leisure developments – such as marinas and holiday villages – in the UK, continental Europe, and North Africa achieved £22.9m (£16.6m) trading profits on turnover up from £31.2m to £75.9m. The hotels division achieved profits of £31.2m (£21.5m) on turnover of £122.6m (£75.5m).

Mr Walker said that the company planned to add several hundred more public houses to its portfolio to bring it up to the 2,000 level favoured by the Monopolies and Mergers Commission. He also believed there was scope for expanding the betting shops operation in the north of England and on the Continent.

See Lex

Haunted by the structure

David Owen looks at B&C's loan stock position

AT A PRESS conference last month Mr John Gunn, British & Commonwealth Holdings' chief executive, emphasised that the troubled financial services group's debt of about £1bn "is not our Barclays High Street Kensington overdraft." The average life of the debt, he said, was "a bit over 12 years" and the average coupon "a bit over 10 per cent."

Mr Gunn's remarks were widely interpreted as an attempt to sound a note of reassurance in a meeting which had announced the summoning of administrators to Atlantic Computers and the suspension of trading in B&C shares.

Since then, however, the structure of the group's debt burden has come back to haunt it. Demands for repayment by holders of £320m worth of 7¾ per cent convertible subordinated unsecured loan stock (CULS) may yet scupper the group's survival plan and push it into liquidation.

At a private meeting on Tuesday, holders of an unspecified proportion of the CULS undertook to write to the security's trustee to demand repayment. Under the covenants of the stock, were holders of 20 per cent of the CULS to do so, B&C would be asked to repay the entire issue at par, or face the prospect of summary liquidation.

According to individuals present at the meeting, it is highly improbable that concrete undertakings were received from holders of 20 per cent of the CULS. Agreement in principal was, however, received from a much broader cross-section of those present, they say. Were all who signalled their consent eventually to contact the trustee - it is generally recognised - the demand for repayment of the issue could be triggered.

The trustee, Law Debenture Trust Corporation, last month certified that events had occurred that were materially prejudicial to the interests of the CULS holders - hence clearing the way for default to be declared - but added that it did not presently intend to do so.

On Tuesday, Law debenture appointed Royal Exchange Trust as its attorney to exercise independently the duties of the trustee under the deed constituting the CULS. The body feared that its responsibilities to the holders of other B&C securities which fall under its trusteeship might create a conflict.

The discontent of the CULS holders arises in essence from their position within B&C's hierarchy of creditors. This is below just over £700m of bank debt, bonds and unsecured loan stock, but above £164m worth of redeemable preference shares from Caledonia Investments and approximately £150m of other preference shares. The securities held by Caledonia were received in 1987 in part-payment for the sale of most of the group's 31.3 per cent stake in B&C.

CULS holders are concerned, however, that the Caledonia securities might skip above them in the creditors' queue. This might happen, they fear, either if B&C were kept running as a going concern - in which case, the next £82m tranche would be due for payment to Caledonia on December 31 - or if the group declared its inability to meet its commitment - in which case the preference shares would be effectively sold to a syndicate of banks who have guaranteed payment.

Under the latter scenario, some CULS holders believe, the banks might agree to buy the preference stock at par if Caledonia allowed them to draw a loan against B&C in order to pay it the money. The banks would then have "a loan situation with B&C" and perhaps a higher position for the £164m in the creditors' hierarchy, the holders allege.

Liquidation is the drastic remedy apparently advocated by some CULS holders to forestall any prospect of this happening. Whether this indeed comes to pass now probably depends on their level of satisfaction with B&C's survival plan - expected later this week.

Zuckerman quits Berisford

By Clay Harris, Consumer Industries Editor

BERISFORD International yesterday cut another link with the Ephraim Margulies era when it announced the resignation of Mr Howard Zuckerman as chief executive of its US subsidiary.

His immediate departure, a long-standing demand of Berisford's critics, is unlikely to relieve the pressure on the company, which owns British Sugar as well as other agribusiness, financial services and property holdings.

Mr Zuckerman presided over Berisford's accumulation of a large US property portfolio.

The doldrums of the Manhattan market led to the company's current difficulties, accounting for extraordinary provisions of £49m last year alone, and put it in the firing line for a possible takeover bid.

Mr Zuckerman's days had been numbered since early March when Mr Margulies, Berisford's long-time chairman and the man who brought him on the board, resigned under pressure from institutional shareholders.

Berisford did not say how much Mr Zuckerman would be paid for leaving. His maximum entitlement is believed to range up to £10m, but the matter is still under negotiation.

At the annual meeting in March, Mr Zuckerman's pension arrangements were strongly criticised by Associated British Foods, a 23 per cent shareholder.

The index-linked pension was based on 100 per cent of his final salary and applied regardless of the circumstances of his departure.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Crossprint, Fundinvest, Radio Clyde, Smith.

Finals- Clearmark, Corton Beach, Highcroft Investment Trust, King & Shaxson, London Atlantic Investment Trust, RIT Capital Partners, Sears, Smith St Aubyn, Wilson, Yorklyde.

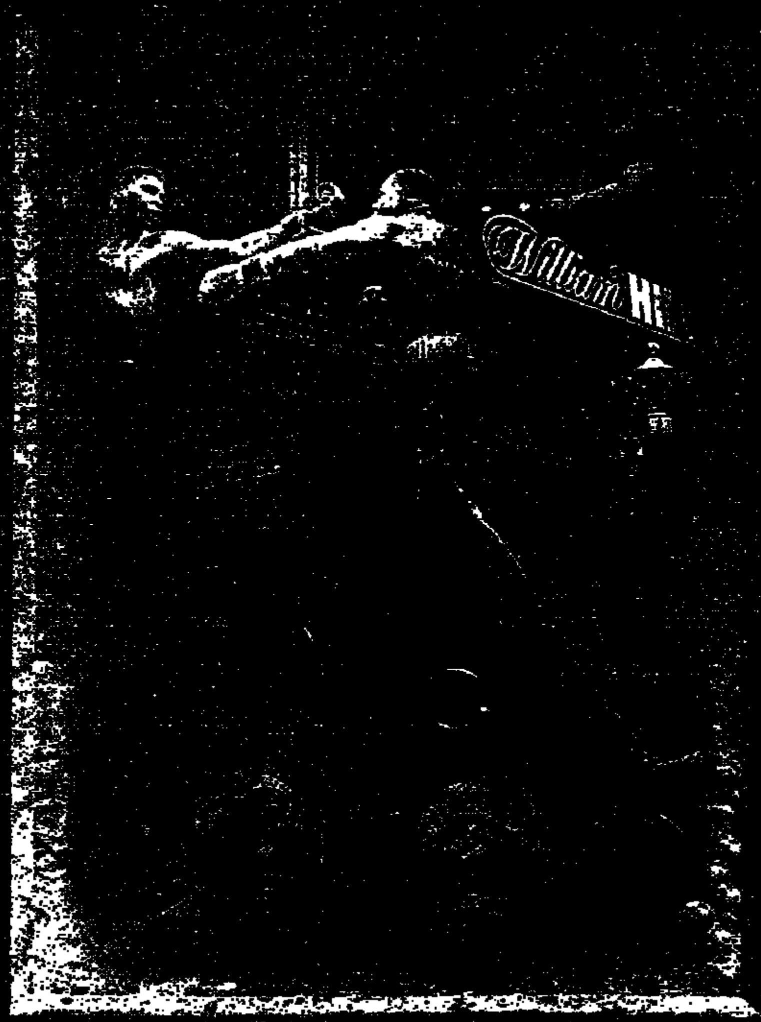
FUTURE DATES

Interims-	
Archer (AJ)	May 24
Archimedes Investment Tst	June 19
Carlton Communications	May 22
Diploma	May 16
Eurocopy	May 30
Group Development Capital	May 16
TMD Advertising	May 14
Thomson Corporation	May 16
Finals-	
Eastern Produce	May 17
NMC	July 3
Stratton Investment Trust	May 14
Warnford Investments	May 16

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Irish	fin	4.25♣	July 12	3.5*	7.5	6.375*
Bibby (J)	int	2.75	July 3	2.75	-	8.5
Brent Walker	fin	10‡‡	July 9	7	15	11
Cakebread Robey	fin	1.9	July 16	3.3	2.7	4.1
Crystalate	int	2.2	July 31	2.2	-	8.1
German Smaller	fin	1.2	July 4	1.5	1.2	1.5
Hi-Tec Sports	fin	3	June 29	3	4.5	4.5
Mezzanine Cap	fin	7.5	July 16	6.1	14.5	12
R&V Information§	fin	nil	-	-	1.1★	-
Smurfit (J)	fin	3.237♣	June 29	3.011	4.7	4.372
Telfos	fin	6.4†	June 11	5	10	8
Time Products	fin	4.5	July 27	4	7	6.5
Tilon §	int	1.03	July 2	0.94	-	2.9
Trafalgar House	int	8.8‡‡	July 13	8	-	17.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. #Third market. ‡‡Carries scrip option. ♣Irish currency throughout. ★Dutch currency.



IN 1989

FINANCIAL HIGHLIGHTS 1989 (unaudited)

	1989 £M	1988 £M	%CHANGE
Turnover	526.0	128.9	+308%
Profit before tax	82.2	41.7	+97%
Earnings per ordinary share (fully diluted)	88.7p	41.05p	+116%
Dividend per ordinary share	15p	11p	+36.4%
Shareholders funds	856.0	603.6	+41.8%

UK COMPANY NEWS

Dry cleaning group's shares fall 30p as market digests warning

Panel seeks Sketchley explanation

By Clay Harris, Consumer Industries Editor

SKETCHLEY shares slid 30p to 206p yesterday as the stock market digested the dry cleaning and vending group's warning that its final dividend was at risk because profits had failed to match a forecast made during two recent takeover bids.

It is believed unlikely that Sketchley will report any attributable profit for the year which ended on March 30.

This reflects the impact of Sketchley's belated discovery of certain "under provisions," the costs incurred in its successful bid defences, and payments to four executive directors who have left the group or have been given notice.

Hoare Govett, Sketchley's broker, said it was unable to make any meaningful estimate of the 1989-90 result.

The Takeover Panel confirmed it would be asking NM Rothschild, Sketchley's merchant bank, to explain why a profits forecast made on March 1, and repeated a month later, had so quickly been proved wrong.

Under the Takeover Code, however, a company's directors are solely responsible for a profits forecast, whatever letters from an adviser or accountant appear in official documents.

There were strong indications from several sources close to the company that Tuesday night's surprise announcement that pre-tax profits would fall "materially short" of the £6m forecast did not reflect the uncovering of new information.

Rather it suggested that Mr John Richardson and Mr Tony Bloom, Sketchley's new executive directors, wanted to take a more prudent view than their predecessors. A lower starting point would also magnify the recovery they hope to achieve.

Neither man was party to the original profit forecast, and both were unavailable for comment yesterday.

Of the six directors who approved the forecast, four executives have now left the company or been given notice. The two surviving non-executives are Mr John Gillum, a retired merchant banker who is now chairman, and Mr William Shively, a retired advertising executive.

In the wake of the Guinness affair, the Takeover Panel underlined to non-executive directors that they were equally responsible for a company's conduct during a bid.

When Sketchley made the forecast, which compared with 1988-89 profits of £17.3m, Godfrey Davis Holdings, the car dealing and laundry group, withdrew its hostile offer. Sketchley stuck with the £6m figure during its subsequent successful defence against a bid from Compass Group.

Tony Andrews

John Richardson (left) and Tony Bloom — neither was a party to the original forecast

It noted then that the forecast did not include £1.2m of defence costs during the Godfrey Davis offer or any payments to be made to Mr Malcolm Glenn, the former chairman.

Under his service contract, Mr Glenn could receive up to £471,000, depending on the outcome of negotiations. The three directors who were given notice on Tuesday could receive a total of £870,000. To these figures must be added the undisclosed cost of the defence against Compass.

Sketchley had already forecast an extraordinary charge of £2.9m for rationalisation costs, and its £6m above-the-line forecast included the £2.2m exceptional benefit of sale and leaseback of its Milton Keynes headquarters.

SD-Scicon abandons talks with French software house

By Alan Cane and George Graham

TALKS BETWEEN SD-Scicon, one of the UK's largest computing services companies, and Sligos, a leading French computer software and systems company, that could have led to extensive collaboration between the two have been abandoned, it was announced yesterday.

Officially, the companies are saying that the possible areas of collaboration do not justify a long-term strategic alliance. Unofficially, it is believed that Sligos and Credit Lyonnais, its principal shareholder, are concerned about the fate of the 25 per cent shareholding in SD-Scicon held by British Aerospace.

BAe undertook two years ago neither to increase nor decrease its shareholding until last month. Now the deadline is past, its intentions remain unclear. The investment in SD-Scicon was made by the previous BAe management; it is understood that the present management believes there is no logic in holding a 25 per cent stake.

It is not certain, however, that BAe intends to sell its shares. Analysts believe it is considering joining with another, as yet unnamed, company to bid for the whole of SD-Scicon. From BAe's point of view, the logical partner would be a computing services company which would take SD-Scicon's commercial software operations leaving its defence activities to the aerospace company.

Mr Philip Swinstead, SD-Scicon group chairman, said yesterday that relations with BAe had become "opaque". It had told him only that he would be consulted about any decision, that BAe could not guarantee to remain "friendly" in its negotiations over its shareholding and that a decision was likely within weeks rather than months.

Mr Swinstead said he was disappointed about the collapse of the talks with Sligos, which could have led to a range of possibilities from cross shareholdings to a rationalisation of the two companies' activities in France. Once BAe made its move, it was possible that discussions would be started again.

Mr Gérard Bauvin, Sligos chairman, said yesterday that BAe's stake in SD-Scicon had been a factor in his company's thinking, but the essential point was the absence of strong enough co-operation prospects to justify a formal link between the two companies.

He said they had hoped to find more possibilities for pooling their resources, for example by sharing products or experience in specific sectors such as industrial and defence software.

The European computing services business is in a state of flux with a number of companies trying to achieve critical mass through mergers and acquisitions.

The leader is Cap-Gemini-Sogeti of France, which has been pursuing a vigorous acquisition strategy. It holds over 20 per cent of sema, the Anglo-French company, and is thought to have bid unsuccessfully for Hoskyns of the UK, put on the market by GEC and Siemens following the Plessey takeover.

Markheath claims to hold more than 50% of Camford

By Nikki Tait

MARKHEATH SECURITIES, the property and investment vehicle for Adelaide Steamship, the Australian conglomerate, yesterday claimed to control over 50 per cent of the shares in Camford Engineering.

Early yesterday morning, the bidder announced that it either owned or has agreed to buy about 50.08 per cent of the equity, but said that it was still seeking valid cover for some of the purchases. Assuming this is received, it intends to declare the offer wholly unconditional.

The 50.08 per cent figure did not include any acceptances which Markheath may have received, although the last declared level of backing on this score was small — 1.3 per cent — and it is always possible for accepting shareholders to sell through the market.

There was no immediate response from Camford. Its advisers said only that they were considering the new situation and would make a statement "in due course".

A day or two of jostling now seems likely as Markheath attempts to cement its position, while the defending camp tries to assess whether there is any ongoing support among remaining shareholders.

Guinness sale of Rioja holding could raise £10m

By Andrew Hill

Guinness is to sell its 51 per cent stake in the Spanish Rioja wine business Bodegas AGE, whose Siglo Saco hessian-covered bottles grace the tables of a thousand bistros.

Bodegas is one of the world's three largest Rioja houses and sold over a million cases of the wine last year for Pta4.5bn (£26m).

As well as Siglo Saco the company produces Romeral and Gran Reservas. The sale of the stake could raise as much as £10m.

"Basically, Guinness has focused itself very clearly on spirits and beer — the wine interests were actually quite small," said Guinness, which sold its Californian and Australian wine operations about a year ago.

"We're interested in strong brand-names but we really aren't in the wine business any longer."

The group said it had already received a number of inquiries about Bodegas from Spanish and international companies.

Courtwell sells Bear Brand for £726,000

By John Thornhill

Courtwell Group, the troubled leisure and clothing company which has just called in the receivers at its principal subsidiary, Leisure Investments, has sold its remaining Bear Brand Hosiery business for £726,000.

It claimed the sale eliminated a loss-making business, increased its cash resources, and would help stabilise its position.

The buyer is Glamar Group, the acquisitive clothing company headed by Mr Stephen Barker, which will meet the consideration through the issue of loan stock repayable on June 30 1991.

In addition, Glamar has repaid intra-group debt of £1m and will make a further payment of £1.08m at the end of the year.

At the end of 1989, Bear Brand Hosiery had net tangible assets of £545,000. In that year it recorded a pre-tax loss of £764,000.

Glamar claimed that the addition of Bear Brand would give it a 20 per cent share of the UK hosiery market in volume terms.

UK COMPANY NEWS

Profits down £2m and depression will continue over short term

Hong Kong side pulls back Time Products

By Vanessa Houlder

TIME PRODUCTS, the watch distribution and manufacturing group, yesterday announced a fall in pre-tax profits from £17.25m to £15.12m for the year to January 31.

Turnover increased from £62.01m to £68.18m.

The decline was the result of a sharp drop in operating profits from £5.92m to £1.95m from the Hong Kong operations as Japanese producers, the major suppliers of watch movements to Hong Kong, increased production and reduced prices.

The company said the Japanese competitive position was protected by the weakening of the yen and there was little indication that prices would rise.

Mr Marcus Margulies, managing director, said he had long term confidence in the business but profitability would remain depressed in the short term.

UK operating profit increased from £9.19m to £9.97m. "In the UK our results were particularly encouraging in terms of the retail trade being affected by the decline in consumer spending," said Mr Margulies.

Sekonda increased its market share and had a satisfactory year, given the economic climate. Longines had an "excellent" year, increasing sales by over 25 per cent.

However Stubbs, the new watch brand priced between £35 and £65, failed to achieve the targetted number of outlets. "It was a lousy time to launch a new watch brand," says Mr Margulies.

Finance income increased from £2.14m to £3.2m. At the year end there was cash of £27m. The company said it was continuing to look at propositions to reinvest the money.

Earnings per share fell from 24.04p to 20.57p. The final dividend is raised to 4.5p making a total of 7p (6.5p) for the year.

Since the year end the company had gained the distribution agency for Certina watches in the UK. Time said that Certina was an internationally recognised Swiss brand, priced below Longines and produced by the same group, Société Suisse de Microélectronoique et d'Horlogerie.

The company had also gained the distribution agencies for Girard Perregaux in the UK and North America and signed a joint venture deal with the Soviet Union.

It had also nearly completed a new factory in France.

● COMMENT

With a rock solid balance sheet and a portfolio chock full of premium brands, some aspects of Time Products are as glamorous as its most sophisticated watches. Not so its share rating, which is languishing on a large discount to the market. Over the past year, the shares have dropped by a third of their value as the company's parlous position in Hong Kong has been taken on board. There is little relief in sight from Japanese price cutting and the business will do well to make a profit this year. That will put pressure on the UK operation which is continuing to grapple with straitened consumer spending. The newly launched mid-market range has taken most of the battering, even if there is no shortage of customers willing to pay several hundred thousand pounds for a *jewel* encrusted watch. It is not clear whether the company will be able to improve on last year's profits, which puts the shares up 3p to 156p, on a p/e of 7.5.

Marcus Margulies – long term confidence in the business

NEWS DIGEST

Cakebread Robey cut to £74,000

A SECOND-HALF loss of £333,000 has cut into Cakebread Robey and left it with a profit of only £74,000 for 1989.

The final dividend is reduced from 3.3p to 1.9p.

The company distributes building materials, operates as timber merchants and makes architectural and sheet metal work.

The total dividend is 2.7p; it compares with 4.1p in 1988 which was paid from a pre-tax profit of £946,000.

After a tax credit of £255,000 (charge £321,000) the net profit came to £329,000 (£625,000) for earnings of 5.5p (10.4p).

Mezzanine Capital improves to £2.24m

Revenue after tax of the Mezzanine Capital & Income Trust 2001 rose from £1.81m to £2.24m for the year to end-March.

Earnings amounted to 14.95p (12.08p) per £1 income share and a final dividend of 7.5p makes a 14.5p (12p) total.

Titon declines 9% to £706,000

Profits of Titon Holdings, a USM-quoted producer of window fittings and accessories, fell by 8.8 per cent to £706,000 pre-tax for the six months to end-March. Turnover improved by 9.3 per cent to £4.83m.

Earnings worked through at 4.23p (4.69p) and the interim dividend is lifted from 0.94p to 1.08p.

Cahill May to join USM

Cahill May Roberts Group, a pharmaceutical company, is joining the Unlisted Securities Market in Dublin and London in a I£3.3m (£3.2m) placing.

AIB Corporate Finance is placing 6m new shares at 55p per share, representing 22.8 per cent of the share capital. The broker is Goodbody Stockbrokers and first dealings will be on May 14.

Record order books at Charles Baynes

Charles Baynes, the Surrey-based specialist engineer, has made a strong start to the current year.

Speaking to shareholders at Tuesday's annual meeting, Mr Bruce McInnes, chairman, said: "We started 1990 with order books at record levels and the performance *for the first quarter has* been very good and ahead of last year."

The group has sold its remaining surplus properties at a small profit. "Our financial position remains very strong with over £6m of cash on deposit" he added.

Baynes also announced the acquisition, for a nominal £1, of JS Chinn, a loss-making chemical engineering company. Assets are valued at £210,000.

Colorgraphic sees growth in market

Colorgraphic, the USM-quoted printer and producer of literature *for the direct* response market, expects its market to continue to grow in 1990, the annual meeting was told yesterday.

Objectives for 1990 were to *build on existing* strengths in the direct response market and to add telemarketing and a further operating company in Europe.

In the group as a whole demand and gross margins remained better than in 1989 in spite of tougher market conditions.

The start-up company in Scotland was making progress although it was not expected to be profitable before the second half of 1990.

R&V back to profit in second half

R&V Information Systems, the Dutch computer systems house which in March 1989 became *the first Dutch company to* obtain a quotation on the USM, has followed up its interim fall in profits with a pre-tax profit of only Fl 43,000 (£13,855m) for the year to December 31 compared with Fl 1.99m.

Turnover for the year was slightly lower at Fl 13.25m (Fl 14.04m). Earnings per share were 0.8c (20.9c) and the final dividend is passed leaving the total for the year at 1.1c compared with 2.3c.

The company is not expected *to be in profit until the second half of 1990.*

W Canning set for satisfactory year

Mr David Probert, chairman of W Canning, told the annual meeting that group sales were currently running in excess of £130m a year.

He warned, however, that continuing high interest rates were causing some uncertainty among the group's UK customers and that UK sales volumes were running some 5 per cent lower than the corresponding period of the previous year.

The group has interests in speciality chemicals, industrial distribution and precious metal recovery.

Some 70 per cent of its profits arise from outside the UK and although Canning was experiencing some weaknesses in demand in Spain, this was being partially offset by strong performances by businesses in France, West Germany and Italy.

Overall, and in spite of difficulties, Mr Probert believed that the financial outcome for the current year would be satisfactory.

EC passes British Steel acquisition

By Lucy Kellaway in Brussels

THE EUROPEAN Commission has given its blessing to the recent acquisition of C Walker, the steel stockholder, by British Steel.

It said that the deal, which brought together the biggest stockholder in the UK with the biggest producer, did not infringe the EC's competition rules, although it said it would keep an eye on the prices being charged to make sure that competition remained fair.

British Steel would be required to report to the Commission every year the prices it charged to its own stockholders together with the prices charged to third parties.

The combined company would have a 37 per cent share of the UK market for Community steel products, 6 per cent of the European market and 50 per cent of the Irish market.

The Commission decided that in spite of the power of the new company, competition would be ensured by the 400 independent stockholders in the UK. Nearly all of the British Steel/Walker depots will have at least 3 competing local depots selling the same product.

The Commission also pointed out that the deal would give British Steel a share of the market that was not out of line with the stockholding shares enjoyed by its European counterparts.

IFICO disposal

IFICO is to dispose of Farr Insurance Management (Life and Pensions) to a newly-*formed company,* JBW Associates, for £334,591 cash. The disposal is conditional on the approval of IFICO shareholders.

Maxwell purchase

Maxwell Communications has acquired Thorndike, a publishing house based in Maine, US, through the GK Hall division of Macmillan for $5.2m (£3.1m).

Dutch purchase helps Hi-Tec to meet £6.4m forecast

By Clare Pearson

HI-TEC SPORTS, the sports shoes and clothing company, yesterday announced pre-tax profits of £6.4m for the year ended February 4 1990, a £610,000 drop compared with the previous year.

This is in line with a forecast made two months ago when the company highlighted the way in which development of its overseas business was helping to offset the difficult trading conditions in the UK.

Pre-tax profits in the second half were slightly ahead of those achieved in the comparable period last time, when they stood at £2.9m. This followed on after the £1m fall in first half profits to £3.1m.

Overseas contribution was helped during the latter six months by the acquisition of Cofex, a Dutch leisure clothing concern, for which an initial £643,000 was paid in August.

Earnings per share dropped from 13.8p to 11.5p, but the final dividend is maintained at 3p for an unchanged total of 4.5p. Cost this time is £1.57m, up from £435,000 previously after Mr Frank van Wezel, chairman, waived his entitlement to £1.14m.

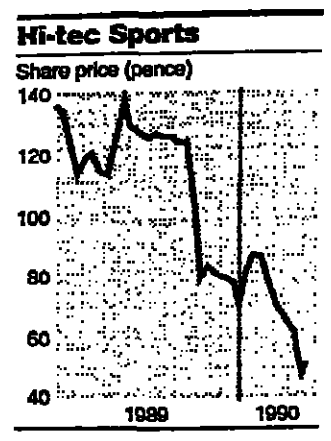
Yesterday, Mr van Wezel said: "Hi-Tec Sports has become a much more broadly-based – and hence stronger – business, both in terms of sales and profits, and in this way its *performance* has shown considerable resilience against the difficult market background of last year."

Trading in the opening months of this year was "satisfactory" but "at this stage only a cautious view can be taken on full year prospects."

First half results would reflect that Cofex profits tended to be concentrated in the second half and, accordingly, a result similar to the opening six months of last year seemed likely.

Group turnover was £83.65m (£65.82m). Within this, there was a marked increase in sales of sports shoes, the core business, outside the UK.

Sales of shoes in both North America and Europe more doubled to £14.2m and £8.6m respectively. Home sales continued to grow but fell to less than 55 per cent of group sales.



A combination of organic growth and the inclusion of Cofex lifted sales of sportswear, casualwear and accessories – the newer side of the business – to £11.7m.

Operating profits were £7.89m (£7.83m). Interest payable rose to £1.49m (£813,000).

● COMMENT

Ten out of eleven Crystal Palace players will be sporting Hi-Tec football boots at the Cup Final on Saturday. This is just one of the messages the company, which has recently appointed a new finance director, new merchant bank and new stockbroker, is keen to tell the City these days. The heart of the story is that, using its strong position in UK shoes as a base, Hi-Tec has successfully diversified both in product range and geography. This gives it strengths for the future not apparent when one looks purely at its dull profits and share price history since it joined the market at 160p per share in June 1988. But the *question is: will anyone listen?* A small company, where the chairman holds most of the shares, in an out-of-fashion industry, Hi-Tec is hardly likely to set the market alight. Analysts are looking for at least a modest recovery to about £6.7m pre-tax this year: putting the shares, yielding more than 10 per cent at yesterday's price of 53p, on a prospective p/e of 4. Undoubtedly cheap, but likely to remain so for the moment.

UK COMPANY NEWS

Waking up to a Midsummer nightmare

John Thornhill looks at the closing stages of European Leisure's bid for its rival

"MORE THAN any other time of the year, *midsummer* is when most people's thoughts turn, on long warm evenings, to pubs and pints of real ale."

So Mr Nicholas Winterton, Conservative MP and then *chairman of* CAMRA *(Real* Ale) Investments, explained the success of his regional pubs group and its name change to Midsummer Inns in 1983.

But Midsummer Inns, since taken over and renamed Midsummer Leisure, no longer talks in such dreamy language as it faces what amounts to a company nightmare: a bid from another leisure company, European Leisure, which, it believes, substantially undervalues Midsummer's expanded range *of pubs, clubs and discos.*

This offer heads towards its final *close tomorrow,* and most observers expect the *outcome to be close.*

At the previous closing date, European Leisure spoke for 34.33 per cent of Midsummer's shares, including, somewhat embarrassingly, a 15.1 per cent stake held by Midsummer's directors, which was irrevocably pledged *in acceptance* when the bid was launched in early April.

At that time all appeared rosy and Midsummer recommended the offer. The bid valued Midsummer at £92m or 175p per share and the directors of both companies toured the institutions sell*ing them* the merits of the deal.

Midsummer's interests were to be merged with those of European's, which included the Camden Palace and the Hippodrome in London, creating a forceful presence in the UK leisure scene.

As Mr Michael Ward, European Leisure's flamboyant chairman, enthused: "The enlarged group will redirect Midsummer Leisure's business along more focused lines and concentrate both compa*nies' considerable manage*ment resources on high value-added discotheques and themed leisure venues, providing significant opportunities for profit enhancement."

But all this was before Mecca, the UK's largest leisure *company, shocked* the market with its debt level *sparking a downward re-rat*ing in the whole of the sector and a change in industry sentiment.

As leisure companies' shares slithered so did the value of European Leisure's offer and with it Midsummer's enthusiasm for the deal.

This decline in price led to *a change of heart from* the Midsummer board and in mid-April, just a fortnight after the launch of the offer, the company changed its recommendation and urged shareholders to reject the bid.

The *offer* currently values Midsummer at around 138p per share or £78m in all.

Mr Paul Reece, Midsummer's deputy chairman, stated his continued objections to the deal yesterday.

"The key to the problem is that the offer is inadequate because of the dramatic fall in European Leisure's share price.

"Had Michael Ward increased his offer or put in a fully underwritten cash alter*native then clearly* that would have addressed the issue," he said.

But Mr Ward has not raised the offer and has continued to argue forcefully for the merits of the original deal.

He claims the bid generously values Midsummer at 14.7 times its historic earnings after property profits have been stripped out and a full notional tax charge has been applied.

European has also turned its fire on Midsummer's management and has questioned its future viability in the absence of the offer, pointing to the company's high level of gearing and "incoherent" strategy.

In the latest of a string of *increasingly aggressive circu*lars to Midsummer's shareholders, Mr Ward thundered: "What credibility and confidence can be attached to a company that fails to answer central questions about its independent future in the course of a takeover bid?"

But Midsummer has firmly rebuffed these criticisms, claiming it has a fundamentally sound strategy and prospects. The company has also contested European's interpretation of the value of its offer.

It claims the offer only values it at 8.8 times *historic* earnings and that its low tax charge and property profits are not exceptional features in its results.

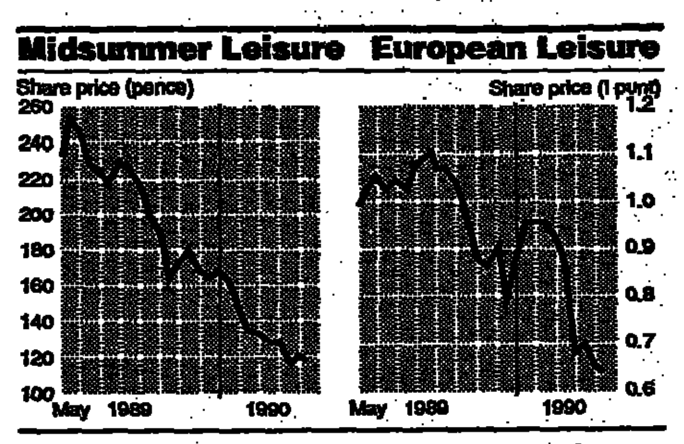
Whatever the commercial merits *of the deal,* it is financial considerations that are likely to be the final arbiter of Midsummer's fate. And, if the views of most analysts are anything to go by, the offer does not seem to be high enough.

Mr Martin Hawkins, a drinks analyst at the brokers Kitcat & Aitken, expresses the views of several when he says:

"The merger as originally proposed was a reasonable one in terms of industry rationalisation.

"The market should have applauded the deal as there was no new debt, effectively no new paper, and a very significant earnings *enhancement.* But *I* now think it's a very poor deal for Midsummer shareholders."

However, he added: "If you are a European Leisure shareholder you should keep your fingers crossed."



Allied Irish Banks ahead to I£237.3m

By David Lascelles, Banking Editor

Allied Irish Banks yesterday reported pre-tax profits of I£237.3m (£231.3m) for the year ending March 31, confirming the result announced last week at the time of its $217m *(£129m) bid for* Baltimore Bancorp of the US.

The result included a I£41.1m provision against Third World debt which brings the bank's provision level up to 70 per cent, in line with some of the large UK clearing banks.

Mr Gerald Scanlan, chief executive of the Dublin-based *group, said the result reflected* a higher level of earning assets, strong growth in non-interest income, and continued cost control. There was a strong performance across each of the divisions.

The result represented an increase of 52 per cent on the previous *year's outcome of* I£155.7m, although some of the *comparisons* with the previous year are distorted by the consolidation for the first time of the results of First Maryland Bancorp, the group's new wholly-owned US subsidiary.

The underlying growth in operating income was 20 per cent, but the underlying rise *in costs was only 12 per cent,* a gap which accounts for much *of the strong profits* rise. The cost to income ratio fell from 67.1 per cent to 64.2 per cent. The aim is to get it below 60 per cent within three years.

Earnings expanded 39 per cent to 24.4p, and the dividend is *increased* to 7.5p via a final of 4.25p. The return on equity *ratio was 21.2 per cent,* up from 15.2 per cent, and the risk asset ratio was 11.5 per cent, up from 8.8 per cent.

AIB is awaiting the response from Baltimore Bancorp to its bid, which was "unsolicited but amicable". *This* may be forthcoming before Balti*more's annual meeting on May* 16. First Maryland, through which AIB is making the bid, released the text of a letter which it had sent to Baltimore emphasising its readiness to enter into negotiations, and urging the board to make its views known in advance of the *meeting. The bid is accompan*ied by a I£162m rights issue which will go ahead regardless of the fate of the bid.

Mr Paddy Dowling, deputy chief executive, said the group still had the capacity to make an acquisition elsewhere if the opportunity arose.

Bibby advances to £16.8m at halfway

By Clare Pearson

A TURNROUND in the paper and converted products division and a strong performance from science products, which came in spite of uncertain US trading conditions, helped J Bibby & Sons, the industrial and agricultural group, achieve a 5.7 per cent rise in pre-tax profits from £15.9m to £16.8m in the six months to end-March.

Turnover was £286.16m (£272.05m). Earnings per share were 9.56p (9.07p).

The company, which is majority-owned by Barlow Rand of South Africa, said it had decided to maintain the interim dividend at 2.75p although the full-year payment would be subject to review.

Mr Richard Mansell Jones, chairman, said that in spite of a number of adverse factors he expected Bibby to "show progress for the year as a whole."

The company was likely to benefit from the stabilisation of wood pulp prices, acquisitions and tighter controls over working capital and manufacturing efficiencies.

Holding it back would be the state of the UK economy and difficult markets in the US.

Loss-making in the second half of last year, paper and converted products provided a trading surplus of £1.53m (£1.42m). This was achieved after rationalisation of manufacturing at one of the mills and various organisational changes. Since the period-end, *Bibby has expanded this* division with the purchase of Eurofilters, a Belgian company.

The biggest advance in trading profits, from £5.38m to £6.75m, came in science products. This was largely attributable to the international operations of a division involved in electro optics.

The two bigger divisions achieved moderate advances in trading profits. In the agricultural division, these edged ahead to £4.79m (£4.34m). Both cattle feed volumes and margins improved despite the occurrence of another mild winter.

Materials handling, helped by a full six months trading from a US acquisition, was 6 per cent higher at £6.4m (£6m). Lamson, a company based in the UK and Netherlands, has been added to the division since the period-end.

COMPANY NEWS IN BRIEF

ADWEST GROUP has sold Hewins Plastics for £1.7m cash. Buyer is English Plastics Holdings, a newly formed plastics processing consortium.

EIS GROUP has acquired the share and loan capital of the Davall *Group of Hatfield,* Herts, comprising Davall *Moulded* Gears, Davall Gear, Davall Stock Gears and Davall Holland (Amsterdam, Holland) for £4.24m cash.

EXECUTEX CLOTHES: following its offer Premierflag now speaks for 2.9m shares (94.64 per cent). Offer extended until May 22.

HAMBROS INVESTMENT Trust, now an investment hold*ing company after being taken* over by Hambros Bank, produced earnings of 10.49p (2.61p) for the half year ended September 30 1989. Total revenue £7.5m (£3.42m). Dividend 10.29p paid in September; dividends will continue to be paid on preference stocks. Net asset value *42.39p (332.45p at March* 31 1989).

HOGG ROBINSON: IEP Securities, the investment vehicle for New Zealand financier Sir Ron Brierley, has lifted its stake in the large UK-based insurance broker. It purchased a further 350,000 shares, taking its total *holding to 11.14m shares* (16.14 per cent).

INTEREUROPE TECHNOLOGY has bought 100,000 of its own shares at 110p each.

KALON GROUP has acquired certain businesses of Nitromors for an undisclosed sum.

LADBROKE GROUP's US racing subsidiary has entered into a joint venture agreement through which it has purchased 50 per cent of Canterbury Downs race track in Min*nesota for US$12.65m (£7.76m).* Ladbroke Racing will have an initial 30-year agreement to manage the operation.

LAWRENCE (WALTER): Colguy Holdings has acquired 2.74m ordinary shares, raising its holding to 8.69m shares (18.22 per cent).

MACARTHY is paying a maximum £2.5m for Bryants Chem*ists, which runs six pharma*cies on Jersey. Of the consideration, £2.25m has been paid. Bryants sales in the year ended March 31 1990 were £2.7m and pre-tax profit £125,000.

MARYLEBONE ESTATES *said* the rent review at Dorset House had been agreed at £2.25m per annum. A Scandinavian *consortium has an option* to buy the property. Marylebone said that the rent review would reflect a purchase price, in December 1990, of about of £31m, subject to the option being exercised.

MERCURIUS, the *Swedish* investment company, has lifted *its holding in the Essex-based* Phoenix Timber Group from *27.2* per cent to 28.3 per cent. Mercurius has been stake building gradually in Phoenix starting six months ago with 7.7 per cent.

TECHNOLOGY

Concluding a series on IBM, FT writers examine how a market-led philosophy will affect innovation

A strategic game of determined leapfrog

Reality overtakes prediction with awesome speed in high technology. In February this year, John Armstrong, International Business Machines's newly appointed chief scientist, was discussing the physical limits to the miniaturisation of electronic components.

The laws of physics, he said, placed few constraints on what could be achieved in semiconductor technology over the next 10 years, although he demonstrated the scientist's habitual caution in outlining his predictions. "This idea is so colourful I hesitate to use it, but within eight or nine years we will be building our semiconductor devices atom by atom," he claimed.

His caution was unnecessary. Within two months, researchers at IBM's Almaden Research Centre in San Jose, California, announced that they had made a breakthrough in just such microminiaturised manufacturing techniques, tracing out the letters "IBM" in individual xenon atoms on a nickel plate. It is the important first step towards the production of semiconductors at least 1,000 times more complex than those available today.

The Almaden advance is an example of IBM's research skills at their best, skills which have given the world, among other developments, the "Winchester" hard disk drive and high temperature superconductivity.

But are such advances the exception rather than the rule? IBM spent $6.8bn (£4bn) on research, development and engineering in 1989, about 10 per cent of its revenues and more

By Alan Cane, Louise Kehoe, Roderick Oram and Ian Rodger

than total sales for the year for some of its major competitors.

Do IBM, its shareholders and customers, however, get value for this investment in technology? It is a question which intrigues industry cynics who sneer that IBM stands for "Inadequate But Marketable". They claim that Big Blue pours millions of dollars into research often to let the results gather dust rather than give its customers the benefit of advanced technology before the maximum profits have been wrung out of earlier offerings. Be that as it may, it is true that IBM's freedom to innovate is hindered by the huge number of systems it has installed with customers worldwide and with which it needs to maintain compatibility.

In consequence, critics say, IBM can act as a brake on technological progress rather than a spur. It is rarely acknowledged as an innovator in computer technology, although its skills in semiconductor design and manufacture – it is the world's largest semiconductor manufacturer – are recognised as world class.

IBM's senior management has always rejected criticisms of its technological competence as unfair. At least it did until the review of the company's policies and products initiated by John Akers, chairman and chief executive, in the mid-1980s, which has led to the greatest shake-up in the way IBM does business since it was founded. In effect, the company is now trying to become "market led" rather than "technology driven".

The mid-1980s reviews led to a realisation of how out of touch some of IBM's offerings were with the marketplace. The company's inability to connect easily its various product families together, for example, resulted in a loss of market share to Digital Equipment Corporation (Dec), the world's second largest computer company.

Does the new, market-led philosophy mean that technology and the need to stay on terms with the competition have become less important? Do IBM's dyed-in-the-wool technologists feel left out of the new order?

No, according to Jack Kuehler, IBM president and a technologist by background: "Mr Akers believes that IBM must drive like it never has before down the track of becoming market-driven and he articulates all the reasons why. I think everyone buys that now and I do not think there is a negative feeling about it."

But there has been a technological shake-up as well, which goes a long way in explaining IBM's euphoria over its new workstation family, the RS/6000. To IBM's senior executives, the RS/6000 is the first hard evidence that IBM is back on track as an innovator, exploiting the latest technologies, and measurably ahead of the opposition.

It also indicates that the company is taking seriously its commitment to a number of areas that, in its period of soul-searching prior to 1988, it identified as principal areas of opportunity. These are scientific computing, professional services, fault tolerant computing, artificial intelligence, image-based systems and small- and medium-sized computer users.

Its approach to scientific computing, an important and fast growing market sector in which IBM has traditionally been weak, indicates how it is tackling these areas of opportunity. Scientific or numeric-intensive computing typically involves two kinds of system:

● Supercomputers. These are tuned for absolute speed and designed to make light work of heavy number crunching problems. The market leaders in supercomputers are Cray Research of the US and Fujitsu, NEC and Hitachi of Japan.

IBM has never made significant breakthroughs in supercomputers, although it claims that its mainframe computers fit with a "vector facility" for high speed computation and provide the power most customers need for supercomputing.

It is, however, also funding a venture headed by Steve Chen, formerly a Cray researcher, which is developing a supercomputer to compete directly with Cray and the Japanese manufacturers. The machine is on schedule, IBM says, and the software it will use is already being tested.

● Workstations. These are high performance personal computers used by scientists and engineers to tackle complex calculations and simulations. The leaders in workstations are Dec, Sun Microsystems and Hewlett Packard of the US. Because of their power, workstations are increasingly finding a role in the commercial world – as low cost replacements for minicomputers or as personal computers for dealers in securities houses.

The RS/6000 workstation is a landmark for IBM because it:

● Employs risc (reduced instruction set computing) technology, a way of designing high speed microcircuitry which IBM invented but allowed others including Sun to exploit first.

● Uses IBM's own version of the Unix operating system which is steadily becoming the industry standard for small- and medium-sized computers. It is therefore evidence of IBM's commitment to "open" systems.

The nine proprietary microprocessors at the heart of IBM's RS/6000 workstations and servers form a "superscalar" system with performance double that of the risc chips upon which competing workstations from companies such as Sun and Dec are based.

Independent tests of the performance of the IBM RS/6000 demonstrate that it is a leap beyond current workstation products from competing suppliers. The Spec organisation, an independent testing group, measured IBM's top RS/6000 model at 34.7m instructions per second (mips, a common measure of computer power), compared with 18.5 mips for the top model in Dec's recently introduced Dec5000 workstations and 17.8 mips for Sun's top of the range model powered by a Sparc risc processor.

Superscalar processors represent a refinement of the risc architectures that have emerged over the past two years as big challengers to conventional microprocessors. IBM, however, is the first computer manufacturer to announce workstations based upon superscalar processor technology.

Unix has become important to computer users because it offers a standard environment in which Unix-based computers can communicate easily and share software. IBM's version of Unix, Aix, is described by one industry expert as "Unix with its hair brushed and its boots polished". In other words, IBM has smoothed off the rough edges of the Unix system.

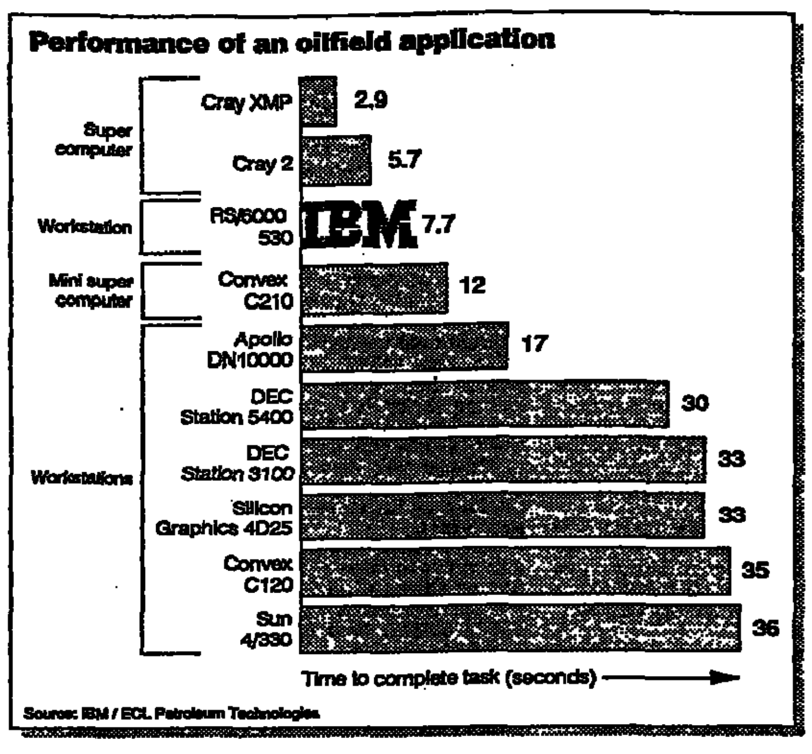
Whether it has genuinely contributed to standardisation through the industry is another matter. There are two competing versions of Unix, one based on Aix, the other on the latest version of the original Unix from AT&T. According to Unix International, which supports the AT&T version, Aix has moved in the direction of open systems but not far enough to give its customers all the advantages of open systems – in particular Unix International claims it has been developed specifically for the RS/6000.

IBM's competitors are already trying to haul back its lead in workstation hardware. Solbourne Computer of the US is shipping a multi-processor workstation that outperforms the RS/6000. Cypress Semiconductor is working on a next generation superscalar Sparc chip. Texas Instruments and Sun are collaborating on another version of Sparc that is expected to achieve record performance.

In a recently announced alliance, LSI Logic of the US is working with Hyundai of Korea to create a superscalar version of Sparc which, the companies predict, will achieve performance of 80 mips. Can IBM hold its newly found lead in workstation technology? Armstrong thinks so. "We are playing leapfrog. It took us four years to develop the RS/6000 including the design and the special software. Do not expect us to wait four years or even one year for enhancements. We intend to ratchet up that architecture while we have the lead. The RS/6000 is not a shooting star, it is a bright new planet that will be around for some time."

The implication for each of IBM's chosen areas of opportunity is that the time when the company was content to rest on its technological laurels are gone – and its competitors underestimate its determination to come out on top at their peril.

Previous articles appeared on April 24, 25, 27 and May 2 and 4.



Source: IBM / ECL Petroleum Technologies

WORTH WATCHING

Della Bradshaw

Too smart for traffic jams

BEING stuck in a traffic jam on London's M25 orbital network is no fun. But technology about to be licensed by the Department of Transport could help drivers avoid the frustrations.

The Trafficmaster system, developed by General Logistics, of Luton, will enable drivers to learn the location of traffic jams. The service will begin on the M25 this summer, but should encompass all motorways in England and Scotland by 1993.

The system uses a sensor installed on motorway bridges to measure the speed at which cars are travelling. The infra-red signals take the average speed of six cars passing under the bridge, and if that is less than 25mph the sensors send a radio signal to the General Logistics computer centre in Luton.

That radio signal is then sent across the radiopaging network to the in-car Trafficmaster computers of all the drivers who want to receive information on that stretch of motorway.

The computer, about the size of a paperback book, draws power from the car battery. It costs £300 to purchase, plus installation costs. Monthly rental is £18.50 for the service.

An extended life for components

THE Institute of Coal Engineering, in Moscow, knows all about the problems of machine components wearing away in abrasive or corrosive situations.

To prevent it, the institute has developed a coating of chrome alloys which, it claims, greatly prolongs the life of digging equipment or industrial machinery.

The coating contains no rare metals, such as molybdenum, and so is cheaper. The institute is looking for overseas business contacts or a joint venture partner.

Urban transport blows own horn

A SYSTEM of urban transportation using vehicles propelled along an overhead track by moving air, much as a sailing vessel is pushed along a course, is proving its efficacy in Jakarta, writes Robin Burton.

The means of propelling the Aeromovel urban transit vehicle is not inside the car. Instead, a fin, attached along the bottom of the vehicle, slots into a square pipe. As pressurised air is blown horizontally backwards and forwards along the pipe, the train is blown along the track.

The airflow along the guideway, which is about 5.5m about ground level, is controlled centrally and generated by units which are installed at convenient intervals along the trackway. By changing the air pressure the vehicle can be made to accelerate, cruise or reverse.

Friendly way to clean the boards

IN the battle to do away with chlorofluorocarbons, computer-maker Digital Equipment has developed a process for cleaning the latest printed circuit boards without using the discredited substances.

The technology has been developed to clean boards where the components are surface mounted – attached with adhesive. Because they are smaller than older components, water-based systems exert too much pressure – they would knock the tiny components off the boards.

So as well as developing a new cleaning fluid, Digital has developed a process which includes spraying smaller droplets and reducing the pressure at which they are applied. Digital is allowing manufacturers to use the technology without charge, and is making information available through the Industry Co-operative for Ozone Layer Protection in Washington DC.

Contacts: General Logistics: UK, 0525 450188. Institute of Coal Engineering: USSR, 095 279 47 66. Aeromovel: Indonesia, 21 3106488. ICOLP: US, 202 737 1419.

LEGAL NOTICES

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the sixty-eighth Annual General Meeting of this Company will be held at its Registered Office, Bankside House, 107-112, Leadenhall Street, London EC3A 4AE, on Thursday, 31st May, 1990 at 12 noon, for the following purposes:-

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 1989.
2. To declare a dividend.
3. To re-elect the retiring Directors.
4. To re-appoint the retiring Auditors and to authorise the Directors to fix the remuneration of the Auditors for the current financial year.

As special business:-

5. To consider and, if thought fit, pass the following resolution as a special resolution:- "THAT the name of the Company be changed to "Commercial Bank of London PLC.""
6. To consider and, if thought fit, pass a resolution as an ordinary resolution to approve a compensation payment to a former Director of the Company.

By Order of the Board,
D. L. HUMPHREYS, Secretary

Bankside House,
107-112 Leadenhall Street,
London EC3A 4AE
30th April, 1990

Notes

1. Any member of the Company entitled to attend and vote at the above Meeting may appoint another person who need not be a member of the Company as their proxy to attend and vote instead of them.
2. There are no contracts of service which are required to be made available for inspection at the Meeting.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED
(Reg. no. 05/04469/06)
(Incorporated in the Republic of South Africa)

Notice of Closing of Registers

Notice is hereby given that the transfer registers of the holders of ordinary shares will be closed from the close of business on Friday, 25 May 1990 until the close of business on Friday, 1 June 1990.

By Order of the Board
ANGLOVAAL LIMITED
Secretaries
Per A.C. Steyn — 9 May 1990

NEUROTECH LIMITED (IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at:
CORK GULLY, SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ
On 18 May 1990 at 12.00 noon for the purpose of having laid before it a copy of the report prepared by the administrative receiver under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown above, no later than 4.00 p.m. on 17 May 1990, written details of the debts they claim to be due to them from the company; and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed on or behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date : 8 May 1990

R.W. CORK
Administrative Receiver

No.002293 of 1990

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF PARKFIELD GROUP PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Court Order dated 30th April 1990 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on, and the said cancellation of the Share Premium Account takes effect as from, the 30th April 1990.
A copy of the said Order will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.
Dated this 10th day of MAY 1990.
Wilde Sapte
Queensbridge House
60 Upper Thames Street
London EC4V 3BD
Ref: PP
Solicitors for the above-mentioned Company.

THE COMMERCIAL BANK OF THE NEAR EAST PLC

NOTICE IS HEREBY GIVEN that the SHARE TRANSFER BOOKS of the above company will be closed from 24th May to 1st June, 1990, both days inclusive.

By Order of the Board
D. L. HUMPHREYS, Secretary

Bankside House,
107-112 Leadenhall Street,
London EC3A 4AE.

COMMODITIES AND AGRICULTURE

Oil market still teetering near the edge

Opec members have yet to deliver on last week's output pledges, writes Steven Butler

LAST WEEK'S meeting of the Organisation of Petroleum Exporting Countries has left oil markets waiting nervously to see evidence of whether pledges for a big cut in oil production will be carried out.

The stakes are high. Most analysts believe Opec has pulled oil prices back from the precipice; yet they agree the market is still teetering not far from the edge.

Much depends on market psychology, which has proved resistant to change. Oil companies were saying the world's oil supply system was brimming over for weeks before prices took a steep plunge in mid-April to levels similar to the lows of 1986 and 1988 in real terms.

This prompted the Organisation of Petroleum Exporting Countries to convene the emergency meeting last week in Geneva, where pledges to cut 1.445m barrels a day were taken from members.

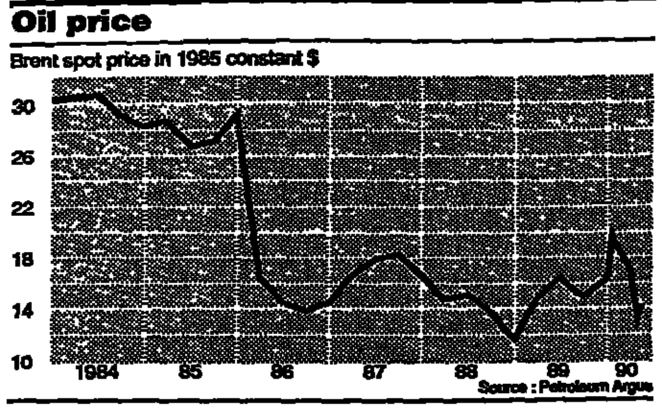
Both before and after the meeting, weak prices for oil were concentrated in the prompt months on futures and forward markets, a technical situation known as contango which is rare for the oil markets. In forward delivery months, prices are higher, reflecting confidence that the current oversupply is a transitory phenomenon, although the forward premiums have been narrowing recently.

The rising price curve for forward months creates an incentive for oil companies to hold stocks. They can protect themselves from any possible price decline by selling short in forward months, so long as the price curve holds its shape.

Yet it depends critically on confidence that prompt oil prices in three to four months will in fact be significantly higher they they are today.

Oil price

Brent spot price in 1985 constant $



While most analysts would say this is most likely to be the case, there are dissenters.

"If you look at the way this market is behaving, it is setting itself up for a fall," says Mr Phillip Verleger, a visiting fellow at the Intitute of International Economics in Washington.

Mr Verleger warns that were the market to move out of contango and into backwardation - the normal situation for oil markets in which prompt prices are higher than forward prices - it could prove extremely painful. This is because oil companies would have an incentive to liquidate stocks, driving down spot oil prices.

Whether this happens depends critically on how much Opec cuts production.

"Opec has done enough," says Mr Geoff Pyne, an analyst at UBS Phillips & Drew. "It was a well-timed meeting. It has prevented catastrophe."

Still the signs are mixed, and it is still unclear whether all Opec members are working off the same numbers. The danger is that if the cuts are not applied universally, countries that do cut production will quickly turn on the taps again.

Saudi Arabia was yesterday reported to have asked its buyers to volunteer cancellations of cargo liftings for this month. This follows statements last Friday by Mr Hisham Nazer, the Saudi Oil Minister, that he had ordered an immediate 430,000 b/d cut in Saudi production. Yet Mr Nazer's credibility had always ranked very high compared to other Opec ministers.

The doubts centre on what Kuwait and the United Arab Emirates will do. The UAE appears willing to take its 200,000 b/d pledged cut, but from a starting point of 2.1m b/d. This amounts effectively to no cut at all since UAE production is thought already to have reached 1.9m b/d.

This places credibility for the pact squarely on Kuwait. Sheik Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, has uncharacteristically said nothing since the meeting. This may indicate a lukewarm commitment, although intense pressure from its militarily-powerful neighbour Iraq may prompt Kuwait to toe the line. If Kuwait does not cut back, few doubt that Saudi Arabia will reclaim its 24.5 per cent share of Opec output and lift production again.

"The Saudis are giving the Opec members two to three weeks to get their act together," says Mr Peter Bogin, at Cambridge Energy Research Associates.

Many analysts believe a cut from 23.5m b/d in April to 22.5m b/d would be enough to sqeak through without precipitating a collapse in prices.

The implied demand for Opec oil in second quarter forecasts issued by the International Energy Agency this week came to just 20.5 b/d, assuming neutral crude stock movements. Although crude storage worldwide is quite full, there could be scope for increasing refinery runs and keeping more product in storage.

Mr Verlerger believes Opec must cut well below 22m b/d, something no one believes is possible. He also doubts that oil companies are so confident about future prices as to want to fill up their tanks even more.

The numbers are not consistent and the variables change constantly. A recovery in Soviet exports in March by 400,000 b/d provided a big surprise for the market, and the Brazilian austerity programme has suddenly thrown some 300,000 b/d of gasoline on to international markets.

On the other hand, UK North Sea production is looking shaky as unions begin a work-to-contract action this week. Continued dry weather in Europe will also boost oil demand as hydro-electric and nuclear facilities lack necessary water.

All of these imponderables only serve to focus more attention on Opec as the pace-setter for the market. A substantial cut in output, even to a point much higher than the market looks likely to want to take, could help preserve the present price structure and stability so long as oil companies are convinced forward month prices are not about to collapse. Confidence will rise further if the Opec countries refrain from dumping onto the market crude currently held in tanker storage.

Saudis reject more Australian sheep

By Tony Walker in Cairo

SAUDI ARABIA has rejected a fourth shipment of Australian sheep in less than a month, this time on the grounds that the animals are too old.

The shipment of 55,000 animals was re-directed to Ras al-Khaimah in the United Arab Emirates where negotiations to sell them either in the UAE or elsewhere in the Gulf are continuing.

Australian officials are extremely concerned by this latest hiccup in the lucrative sheep trade to Saudi Arabia which imports about half the 7m live sheep Australia exports annually.

Saudi Arabia's rejection last year of shipments totalling 400,000 sheep on the grounds that they were diseased led to the suspension of the live sheep trade for some four months.

Australian representatives had assumed that problems had been resolved following the visit to Saudi Arabia late last year of a high-level Australian Meat and Livestock Corporation delegation, but this latest series of rejections has again raised serious questions about the future of Australia's sheep trade to the Gulf.

Saudi Arabia claimed to have found traces of "scabby mouth" in three shipments of Australian sheep rejected this year. In this most recent rejection, Saudi officials cited a rule that has not previously been enforced that bans the import of sheep more than three years old. Australian officials are mystified as to why Saudi Arabia should have suddenly decided to insist on the age rule being observed. Australia suggested last year that restrictions on the importation of Australian sheep were being applied arbitrarily to protect Saudi producers.

Gloom on EC sugar import concession

By David Blackwell

THE SUGAR protocol under which the African, Caribbean and Pacific (ACP) group of states enjoys access to EC markets is becoming marginalised, the group was told yesterday.

ACP ministers are meeting in London this week to look for proposals which will maintain the sugar protocol in the face of rapidly changing international conditions.

Mr Ghebray Berhane, secretary general of the ACP group, said that sugar represented the mainstay of the economies of most of the countries at the conference, and the only viable livelihood for their peoples. The protocol, under which 1.3m tonnes of cane sugar is guaranteed access to the EC each year, "remains the only meaningful area of co-operation between these countries and the European Community under the Lomé Convention (a trade and aid pact between the EC and former colonies)."

The price offered by the EC for ACP sugar has been unchanged since 1985-86, and the ACP has consistently rejected a 2 per cent cut for 1989-90.

In addition to reduced income, the ACP countries faced competition from sugar substitutes, said Mr Berhane.

They also had to face up to the likely completion of the Uruguay round of Gatt talks; the European single market in 1992; and developments in Eastern Europe which were expected to influence world trade positively.

"The ACP states represented here should think positively and develop viable approaches to take advantage of these developments," he told the conference, which closes on Friday.

US policy under attack

By Kevin Brown in Sydney

US GOVERNMENT support for sugar producers costs Australia between A$123m (US$94.6) and A$230m a year, according to the Australian Government's Bureau of Agricultural and Resource Economics.

Mr Brian Fisher, the bureau's executive director, said last week that US policy had imposed a large cost on other sugar exporters, as well as increasing the cost of sugar in the US.

It had reduced the world sugar price by between 21 and 33 per cent between 1982 and 1988, he estimated.

The bureau said Mr Fisher's comments were aimed at influencing debate in the US over replacement of the current five-year regime, which was introduced in 1985.

Australia is a major sugar producer, largely in New South Wales and Queensland, and an exporter to the US under the existing quota system.

Mr Fisher said the current round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (Gatt), together with the impending 1990 US Farm Bill, provided a chance for reform of the US sugar regime.

"A move to free trade by the US would raise world sugar prices and increase Australian sugar industry revenue by an average of A$47m a year over the period 1991-95," he said.

A discussion paper published by the bureau, 1990 and US Sugar Policy Reform, says the US sugar market has effectively been isolated from world markets by the current policy, which imposes a cost of around $2.60 on consumers and up to $0.54 on the world economy for every dollar of subsidy to sugar producers.

Promising gold find in Turkey

By Jim Bodgener in Ankara

TURKEY'S COMINCO Madencilik, subsidiary of the Vancouver-based Cominco Mining, has reported the discovery of the most promising, high quality gold reserves ever found in the north-eastern Black Sea volcanic belt. But it is too early to talk of investment in mining operations, a company official says.

Further studies including fresh drillings are required for a firm investment decision. But in one of the drillings in the Corakarea a 15 metre-thick zone was intersected, assaying 22 grams of gold per tonne of ore, while another 8 metre-thick zone assayed at 13 grams a tonne. In one drill hole in Tacarea 20 km north-east of Corak, a 17 metre-thick zone assayed at 7 grams a tonne.

While research continues in Corak and Tac, the company plans to drill in ten other target areas as well, mostly in the north-east Anatolian volcanic belt, in the hope of finding multi-metal reserves of mostly copper, lead and zinc.

Drug war may lead to orange overdose

Henry Hamman on Latin American calls for US tariff relief

THE FLORIDA citrus industry is waiting nervously to find out if it has been conscripted into the Bush Administration's war on drugs.

At issue is a request by four Andean countries – Peru, Bolivia, Ecuador and Colombia – for the elimination of tariffs on the importation of frozen concentrated orange juice into the US.

Florida is the biggest domestic producer of FCOJ. In 1989, sales were about $2bn, according to industry estimates.

The request for tariff elimination came in petitions to the US Special Trade Representative. Orange juice is just one of a whole range of products, from asparagus to canned tomatoes to bicycles, that are being considered for tariff relief as a part of the Bush Administration's anti-drug Andean Trade Initiative. The Administration urged the Andean nations to submit the petitions.

For the Andean nations and the Bush Administration, the tariff elimination seems like a good way to develop industries to replace the growing of coca leaves, the raw material for cocaine. But the US citrus industry – along with flower growers, stainless steel flatware makers and rum distillers, among others – sees only a threat to its position in the domestic market.

Administration officials acknowledge that the political stakes are high. The citrus industry – concentrated in the so-called Sun Belt states of Florida, California, Texas and Arizona – has managed until now to keep the tariff on FCOJ above 30 per cent, the highest agricultural tariff the US imposes, according to one official.

Last month, the Administration's inter-agency trade policy staff committee held hearings on the elimination petitions. The committee is to report its findings to Mrs Carla Hills, the US Special Trade Representative. She, in turn, is to advise President Bush on the petitions by July 13. The final decision will be left to the President.

The elimination would be granted under the generalised system of preferences, which allows developing countries to receive duty-free treatment of certain products exported to the US. GSP treatment is non-discriminatory, so in theory granting a tariff elimination to the Andean countries would mean that all 130 countries eligible for GSP treatment could start shipping tariff-free FCOJ to the US.

None of the four Andean nations has a big citrus industry. But Florida industry representatives look apprehensively to the Brazilian citrus industry which has developed rapidly over the last decade.

An Administration official said the Government – aware of the potential damage to domestic industries – could decide to offer graduated tariff reductions on a country-by-country basis in cases where there were highly competitive industries in some GSP-eligible countries.

But Florida citrus officials are not appeased.

"If the four countries get in under GSP, that would be a disaster," said Mr Bobby McKown, executive vice president and general manager of Florida Citrus Mutual, the state's largest growers' organisation.

He said the industry's real fear was that the four would be just the first to take advantage of a tariff elimination. He said up to 60 countries might start exporting tariff-free FCOJ to the US. "That," he declared, "would be a catastrophe."

If the waiver is granted, it would take time for the Andean countries to build citrus industries. From the time a citrus grove is planted, it takes about seven years to produce a full crop. There is also the need to build processing plants.

But Mr McKown said that over the long term, the Florida industry would find it hard to compete against the cheap labour available in the Andean countries.

Falklands fishery closes early again

By Andrew Marshall

THE FALKLANDS Islands have again been forced to close their fishing zone earlier than expected because of overfishing.

The closure could cost the islands £2m in refunds out of £28.3m total fishing revenue, which accounts for 70 per cent of Falklands' government income.

Fishing for illex squid, due to end on May 31, will close at midday today. The fishery aims to leave 40 per cent of the stock after the season to allow the species to regenerate. But "in the last two years, escapement has been about 10 per cent," said John Barton, Director of Fisheries yesterday. "The size of the stock has been large in previous years, so things have been OK. But this year the stock is much smaller."

Fishing for the species takes place also in Argentine and international waters. The Falklands authorities have been requesting the fishing fleets, which come predominantly from the Far East, to reduce their activities outside the Falkland Islands fishery, but this has been insufficient.

"The fishing effort is just too high out there," said Mr Barton.

Last year, fishing for loligo squid, the zone's other main species, was closed three weeks early because of similar fears.

"There is a lot of unhappiness" with the decision, said Mr Alan Johnston of Multifish, part of Witte Boyd, which has a joint venture with a Japanese company operating boats in the Falklands.

The season had already been cut by one month, he said. Some Far Eastern companies were considering not taking licences at all next season. In addition, he disputed that the stocks were very low; there was evidence that they had shifted outside the zone into Argentine waters, he said.

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC prices continued to advance on the LME yesterday as three-month metal broke decisively through the $1,700 a tonne barrier. The rise was fuelled by the tightness of LME supplies, particularly for June and July delivery dates; a constructive chart pattern; and commission house and trade buying and short covering, traders said. Chartists now expect the advance to continue to $1,750-$1,760 a tonne before meeting further resistance. Cash copper advanced strongly following Japanese buying on the LME, and was gaining on Comex by midsession. New York traders said bullish support had come from the strike at Ok Tedi in PNG and mine and labour negotiations at some US copper facilities. Cominco workers in Peru gave warning of a strike from Saturday unless wage demands are met. Cocoa prices recovered some of Tuesday's losses by the close in London after starting the day with a further retreat. "Short covering by a number of trade houses began the upswing, then jobbers were caught and had to cover in towards the close," one dealer said. In Chicago pork bellies were again limit down by midsession.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-5.00x	+.265
Brent Blend	$17.10-7.15x	+0.20
W.T.I. (1 pm est)	$18.69-8.71x	+0.21
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	+7
Gas Oil	$154-155	-1
Heavy Fuel Oil	$77-78	-1
Naphtha	$149-151	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.75	+1.25
Silver (per troy oz)♣	501c	
Platinum (per troy oz)	$476.25	-5.75
Palladium (per troy oz)	$117.25	-2.35
Aluminium (free market)	$1510	+60
Copper (US Producer)	125.5c	+4.5
Lead (US Producer)	45c	
Nickel (free market)	410c	-5
Tin (Kuala Lumpur market)	17.05r	+0.07
Tin (New York)	298.5c	
Zinc (US Prime Western)	87.25c	
Cattle (live weight)†	110.58p	+1.38*
Sheep (dead weight)†	190.52p	-26.8*
Pigs (live weight)†	95.84p	-2.36*
London daily sugar (raw)	$360.4t	+5.8
London daily sugar (white)	$456.2t	+15.2
Tate and Lyle export price	£329.5	+3.0
Barley (English feed)	£121.0u	+0.5
Maize (US No. 3 yellow)	£142.0	
Wheat (US Dark Northern)	£123.5	
Rubber (spot)▼	57.00p	
Rubber (Jun)▼	57.50p	
Rubber (Jul)▼	57.50p	
Rubber (KL RSS No 1 May)	230.0m	-1.0
Coconut oil (Philippines)§	$372.5t	
Palm Oil (Malaysian)§	$300.0x	
Copra (Philippines)§	$235	-5
Soyabeans (US)	£169.5v	
Cotton "A" Index	85.15c	+0.35
Wooltops (64s Super)	557p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. u-Oct/Dec. v-May/Aug. w-Apr/May. z-Jun/Jul. y-May. †Meat Commission average fatstock prices. * change from a week ago. ▼London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Aug	330.80	334.60	338.80	327.00
Oct	327.80	331.00	334.80	323.00
Dec	330.00	327.00	321.00	
Mar	312.00		319.00	309.00
May	311.00		316.40	316.00
White	Close	Previous	High/Low	
Aug	446.0	442.0	450.2	431.0
Oct	407.0	407.0	451.5	393.0
Dec	399.0	400.0	444.0	398.0
Mar	393.5	395.0	404.5	392.5
May	392.0	393.5	396.5	

Turnover: Raw 3835 (4437)lots of 50 tonnes. White 2451 (2343)
Paris- White (FFr per tonne): Aug 2450, Oct 2255, Dec 2230, Mar 2205, May 2195

CRUDE OIL – IPE ($/barrel)				
	Latest	Previous	High/Low	
Jun	17.20	16.96	17.21	16.90
Jul	17.63	17.39	17.63	17.35
Aug	17.70	17.69	17.70	17.64
IPE Index	16.87	16.46		

Turnover: 11860 (8941)

GAS OIL – IPE ($/tonne)				
	Latest	Previous	High/Low	
May	156.00	156.75	156.50	155.25
Jun	151.50	153.00	153.25	151.00
Jul	151.50	152.00	152.25	150.75
Aug	154.00	153.50	154.00	152.75
Sep	155.00	155.75	156.00	155.00
Oct	157.75	158.00	158.00	157.50
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	

Turnover [illegible] lots of 100 tonnes

WOOL

WORLD MARKET gloom has not lifted ahead of resumption of Australian wool sales next week. The emphasis is on substantial over-supply and depressed demand from major state trading countries, coupled with doubts about proposals for extended credit from the Soviet Union not only for new business, but for deliveries already being made. New business is depressed not only in the UK but throughout most of Europe. Exceptions apply mainly in the higher-priced fashion fabric sectors. Currency moves involve slow softening in the Australian dollar and thus wool prices, leading to postponement of new purchases.

COCOA – London FOX (£/tonne)				
	Close	Previous	High/Low	
May	825	820	817	799
Jul	840	823	842	808
Sep	855	841	856	827
Dec	870	860	872	847
Mar	889	880	888	865
May	905	897	899	879
Jul	919	912	919	895

Turnover: 10040 (8950) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 8 995.52 (1031.80) 10 day average for May 9 1030.75 (1035.10)

COFFEE – London FOX (£/tonne)				
	Close	Previous	High/Low	
May	645	643	648	640
Jul	667	659	667	655
Sep	677	668	678	667
Nov	690	686	692	683
Jan	703	700	703	698
Mar	715	710	717	710
May	728	722	727	

turnover: 2830 (2476) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 8: Comp. daily 72.99 (72.24). 15 day average 73.66 (73.88)

POTATOES – BFE (£/tonne)				
	Close	Previous	High/Low	
May	254.0	240.0	255.0	239.0
Nov	124.0	135.0	127.0	123.0
Apr	175.0	186.5	183.0	172.5

Turnover 751 (231) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)			
	Close	Previous	High/Low
Aug	126.00		126.00
Oct	128.00	128.50	128.00

Turnover 12 (28) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)				
	Close	Previous	High/Low	
May	1300	1342	1340	1300
Jun	1201	1250	1256	1201
Jul	1102	1141	1148	1109
Oct	1205		1295	1205
Jan	1230		1265	1255
BFI	1321	1330		

Turnover 271 (249)

GRAINS – BFE (£/tonne)				
Wheat	Close	Previous	High/Low	
May	118.90	119.85	119.00	118.65
Jun	119.90	121.00	120.25	119.90
Sep	114.00		114.00	113.75
Nov	116.90	117.40	117.00	116.65
Jan	120.25	120.65	120.25	119.90
Mar	123.45	124.00	123.45	
May	126.25	126.90	126.10	
Barley	Close	Previous	High/Low	
Sep	111.85		111.80	
Nov	115.80	116.30	115.90	

Turnover: Wheat 363 (317), Barley 17 (22). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Jun	124.5	123.0	123.5
Aug	116.5		116.0

Turnover 25 (27) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,950 tonne
Cash	1508-10	1497-9		1503-4		
3 months	1528-30	1517-8	1539/1522	1526-7	1539-40	44,337 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,100 tonne
Cash	1725-30	1660-5	1715/1710	1712-5		
3 months	1518-20	1509-10	1530/1519	1526-7	1526-7	79,878 lots
Lead (£ per tonne)						Ring turnover 21,250 tonne
Cash	493-5	485-7	488/486	484-6		
3 months	489-90	484-5	490/485.5	485-6	488-8.5	10,076 lots
Nickel ($ per tonne)						Ring turnover 1,404 tonne
Cash	8925-50	8950-75	8900	8875-900		
3 months	8700-25	8725-45	8775/8700	8775-800	8701-25	7,179 lots
Tin ($ per tonne)						Ring turnover 670 tonne
Cash	6460-80	6430-5	6495	6490-5		
3 months	6575-80	6530-40	6630/6560	6605-10	6570-5	8,189 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 16,350 tonne
Cash	1830-5	1795-80	1850/1840	1845-50		
3 months	1715-6	1693-5	1720/1695	1714-5	1718-20	18,429 lots

LME Closing £/$ rate: SPOT: 1.6790 3 months: 1.6509 6 months: 1.6239 9 months: 1.6023

LONDON BULLION MARKET		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	370½-371	220½-221
Opening	370-370½	220-220½
Morning fix	369.70	220.06
Afternoon fix	370.30	220.679
Day's high	370¾-371¼	
Day's low	367-367½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	379-384	225¼-228¼
Britannia	379-384	225¼-228¼
US Eagle	379-384	225¼-228¼
Angel	379-384	225¼-228¼
Krugerrand	370-373	220¼-222¼
New Sov.	87¼-89¼	52-53½
Old Sov.	87¼-89¼	52-53½
Noble Plat	481.95-489.60	287.46-292.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	297.70	499.75
3 months	309.30	510.60
6 months	320.60	521.30
12 months	344.05	544.85

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1400	132	149	4	18
1500	60	84	33	50
1600	19	41	91	103
Copper (Grade A)	Calls		Puts	
2400	207	184	33	89
2500	140	106	86	137
2600	88	69	111	197
Coffee	Jul	Sep	Jul	Sep
650	36	50	21	34
700	17	35	50	60
750	7	22	90	95
Cocoa	Jul	Sep	Jul	Sep
800	57	80	17	27
850	29	52	39	49
900	14	33	74	80
Brent Crude	Jul	Aug	Jul	Aug
1700			32	
1750	54		61	
1800	32			

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jun	18.76	18.28	18.82	18.35
Jul	19.25	18.89	19.29	19.00
Aug	19.52	19.27	19.57	19.40
Sep	19.74	19.58	19.85	19.65
Oct	19.89	19.76	20.03	19.84
Dec	19.90	19.81	20.10	19.80
Jan	19.80	19.79	19.97	19.75
Feb	19.80	19.77	19.81	19.70

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	5145	5134	5175	5100
Jul	5105	5094	5145	5080
Aug	5190	5172	5225	5150
Sep	5345	5327	5360	5310
Oct	5410	5414	5435	5410
Nov	5520	5501	5522	5515
Dec	5610	5588	5640	5590
Jan	5650	5610	5655	5625
Feb	5565	5563	5595	5560
Mar	5380	5363	5405	5360

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	1273	1215	1268	1220
Jul	1269	1234	1280	1226
Sep	1304	1257	1305	1252
Dec	1332	1286	1332	1282
Mar	1351	1301	1352	1300
May	1357	1316	0	0
Jul	1361	1336	1336	1336

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	92.48	91.65	93.00	92.25
Jul	94.29	93.61	94.75	93.85
Sep	96.18	95.30	96.30	95.70
Dec	98.21	97.40	98.60	98.00
Mar	100.25	99.48	100.50	100.25
May	102.25	101.28	0	0
Jul	103.50	102.75	0	0
Sep	105.00	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	14.88	14.78	14.85	14.44
Oct	14.65	14.79	14.78	14.45
Mar	14.17	14.30	14.26	13.93
May	14.04	0	14.14	13.80
Jul	13.95	14.05	14.01	14.01
Oct	13.75	0	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	74.97	74.62	75.05	74.45
Oct	70.75	70.15	70.75	70.05
Dec	67.93	67.49	67.99	67.45
Mar	68.81	68.31	68.82	68.40
Jul	69.00	68.52	0	0
Oct	64.15	64.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	196.80	196.80	196.90	195.75
Jul	194.90	196.25	195.50	194.50
Sep	188.10	190.45	190.00	188.10
Nov	181.50	181.95	181.95	181.50
Jan	177.20	178.05	178.45	178.05
Mar	178.20	178.05	178.50	178.05
May	178.20	178.05	0	0
Jul	178.20	178.05	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	May 9	May 8	mnth ago	yr ago
	1925.6	1912.6	1902.8	2009.2
DOW JONES (Base: Dec. 31 1974 = 100)				
	May 8	May 7	mnth ago	yr ago
Spot	135.05	135.17	134.87	139.21
Futures	133.67	133.70	133.89	138.79

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
May	371.9	370.0	369.0	369.0
Jun	373.7	372.0	374.0	368.8
Jul	376.1	374.4	0	0
Aug	378.5	376.8	378.9	374.0
Oct	383.8	381.9	381.9	380.3
Dec	388.5	386.7	388.5	384.8
Feb	393.5	391.9	393.0	392.7
Apr	398.5	396.8	0	0
Jun	403.8	402.1	402.8	401.4

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
May	483.5	476.2	0	0
Jul	486.5	479.2	488.0	477.7
Oct	492.6	485.6	493.3	485.0
Jan	498.1	491.8	497.5	492.0
Apr	505.5	496.2	500.0	500.0
Jul	511.5	504.4	506.0	506.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
May	502.8	498.9	503.0	498.0
Jun	505.3	501.8	0	0
Jul	509.3	505.8	510.0	501.0
Sep	517.9	514.5	518.5	510.5
Dec	529.8	526.4	531.0	522.1
Jan	533.7	530.3	0	0
Mar	541.5	538.1	539.5	534.0
May	549.8	546.4	546.0	546.0
Jul	558.2	554.8	0	0
Sep	567.1	563.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	124.40	120.40	124.40	122.25
Jun	121.70	116.40	120.50	118.00
Jul	117.60	112.15	118.00	113.55
Aug	113.50	108.95	0	0
Sep	112.30	107.85	111.00	109.00
Oct	110.85	106.55	107.80	107.80
Nov	109.40	105.25	106.30	106.30
Dec	108.00	103.95	106.00	105.00
Jan	107.00	102.95	0	0
Mar	106.00	101.00	102.80	102.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	646/6	633/4	647/0	631/0
Jul	659/4	646/4	661/0	644/4
Aug	666/0	653/0	667/0	651/0
Sep	668/2	654/2	668/4	654/0
Nov	675/0	661/4	676/0	659/0
Jan	686/6	672/2	686/4	671/0
Mar	695/4	682/4	696/0	681/4
May	704/4	691/0	704/4	690/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	24.64	24.03	24.65	23.98
Jul	24.88	24.07	24.73	23.95
Aug	24.61	23.98	24.64	23.90
Sep	24.41	23.76	24.45	23.67
Oct	24.12	23.48	24.12	23.45
Dec	23.86	23.27	23.90	23.18
Jan	23.67	23.06	23.70	23.25
Mar	23.50	22.88	23.50	22.80

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	187.0	183.9	187.2	183.5
Jul	191.1	188.1	191.4	187.5
Aug	193.5	190.1	193.5	189.3
Sep	195.2	191.9	195.3	191.5
Oct	197.0	193.5	197.0	193.0
Dec	200.9	197.5	201.5	197.0
Jan	202.5	199.3	202.5	198.5
Mar	206.5	203.9	207.0	201.9

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	290/0	289/0	290/6	287/4
Jul	290/6	289/4	291/4	287/6
Sep	281/0	278/4	281/4	277/0
Dec	274/6	271/4	275/2	270/0
Mar	280/2	278/4	280/4	275/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	379/4	378/0	383/0	377/0
Jul	349/4	349/2	351/4	346/0
Sep	354/4	356/0	357/2	352/6
Dec	367/6	366/4	370/0	365/0
Mar	375/0	373/0	375/4	370/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	74.72	73.92	74.75	74.07
Aug	72.82	71.92	72.85	71.92
Oct	74.87	74.05	74.77	74.02
Dec	75.22	74.65	75.25	74.57
Feb	75.35	74.75	75.40	74.95
Apr	75.75	75.10	75.85	75.20

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	64.42	63.67	64.65	63.20
Jul	63.40	62.80	63.60	62.40
Aug	61.57	60.97	61.67	60.50
Oct	54.50	53.85	54.70	53.60
Dec	53.37	52.55	53.45	52.60
Feb	51.20	50.70	51.35	50.45
Apr	48.20	47.75	48.20	47.50

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	67.95	66.90	67.95	66.30
Jul	68.45	68.52	68.80	66.52
Aug	65.75	66.20	65.90	64.20
Feb	59.70	58.32	59.75	58.15
Mar	59.00	57.85	59.15	58.85

LONDON STOCK EXCHANGE

Equities lose their upward momentum

THE impressive performance given by London's equity market since the results of last Thursday's local government elections came to a halt yesterday as share prices wilted in the face of some half-hearted selling pressure.

This was partly caused by worries over tomorrow's inflation figure, via the Retail Price Index, and the outcome of the second tranche of the three-day US Treasury bond auction held last night. But dealers said the market had also been upset by news that the Office of Fair Trading had requested an investigation into new car prices and car spares in the UK.

Account Dealing Dates

*First Dealings:		
Apr 30	May 14	May 29
Option Declarations:		
May 10	May 24	Jun 7
Last Dealings:		
May 11	May 25	Jun 8
Account Day:		
May 21	Jun 4	Jun 18

*New time dealings may take place from 9.00 am two business days earlier.

Share prices were edging better in trading before the official 8.30am start, with dealers heartened by the result of the Tuesday's US Treasury auction of 3-year bonds and Wall Street's small gain.

But prices began to slip minutes before the opening amid stories - which were not substantiated – of a small sell programme in the market and remained on the defensive for the rest of a difficult session.

Sentiment in the City was not helped by the continuing low level of activity, a factor behind the latest casualty in the UK securities industry, which saw FHF, the Midland-based group, withdraw from marketmaking.

Turnover yesterday totalled only 343.7m at the official 4.30pm close but had jumped to 425.8m at a 4.45pm recording on TOPIC. This figure was said to have been boosted considerably by a number of large individual trades, particularly in Next, the retailer.

The probe into new car prices and spare parts damaged British Aerospace, which also suffered from another Press report on alleged sweeteners over the acquisition of Rover Group. Lucas, GKN and a number of car retailers came under heavy pressure at one point before staging a rally later in the day.

The opening of Wall Street saw London slide further and register its lowest level of the day, before steadying to close with the FT-SE 100 index down 19.3 at 2,162.7. At its worst the index was 21.4 off.

"There was never any real weight of selling in the market, it was much the same as on Tuesday but with marketmakers clipping prices to stem any attempted offerings," said one senior salesman. "There are not that many bears about, quite the contrary; if you have a line of top quality stock there is no shortage of buyers," he added.

In a mixed bag of features Trafalgar House shares came under pressure as analysts downgraded their forecasts for the full year. Brent Walker, the leisure group, moved sharply higher immediately following the preliminary figures but then retreated as analysts pinpointed the impact of property disposals on the much-better-than-expected figures.

US has taste for Biscuits

UNITED Biscuits rose when Salomon Brothers issued a "buy" recommendation and suggestions circulated round the market that the company might be subjected to a takeover bid from Philip Morris, the US tobacco and food group.

Initially, UB was up 8 at 330p on low volume as dealers marked prices higher in response to the previous session's late spurt, which had left some operators short of stock. But UB slipped back as sellers emerged and closed only 3 ahead at 325p after turnover of 2.7m shares.

Salomon said UB's recent lacklustre performance was not justified as long-term earnings per share growth, forecast at 13 per cent per annum, had not yet been reflected in the current share rating.

The presence of Philip Morris executives earlier in the week at a number of City broking houses fuelled speculation that it could bid for UB. According to an analyst who attended one of the presentations, Philip Morris said it was interested in acquiring a European food manufacturer with a strong national presence.

Analysts, however, also thought a bid by Philip Morris at this stage unlikely, and this partly explained the retreat in the UB share price from earlier highs.

UB holds its annual meeting in Edinburgh today and there was strong expectation in the market that Sir Hector Laing, the chairman, who retires today, would make an upbeat statement.

MMC probe

Several leading motor and engineering stocks were hit by the news that Sir Gordon Borrie, Director General of Fair Trading, has asked the UK Monopolies and Mergers Commission to investigate the supply of new cars and car parts (including number plates).

The Commission has been requested to complete its investigation and report to the Secretary of State for Trade and Industry by August 9 next year.

Shares of motor distributors were immediately marked lower on the news, although there was little selling pressure. Among the shares most affected were Evans Halshaw, which gave up 9 at 185p, Appleyard, 3 easier at 112p, T. Cowie, 5 lower at 34p, and Caffyns, 8 down at 510p.

Motor component manufacturers Lucas and GKN also lost ground. Analysts pointed out, however, that the probe was unlikely to affect this sector and the shares of both companies partially rallied to close a net 9 off at 611p and 7 easier at 397p respectively.

Mr Pete Deighton at County NatWest said: "The investigation will decide who determines the pricing of cars in the UK – the manufacturer or distributor; the restrictions imposed by manufacturers on the number of dealerships; and will also focus on number plates, which are a good source of profits for many car distributors. However, I do not believe it will impact on component manufacturers."

The news hurt British Aerospace, which owns Rover Group, the car maker. BAe held its annual meeting yesterday, and was also weakened by speculation of problems at Arlington Securities, its property subsidiary. BAe shares closed 7 lower at 502p on increased turnover of 4m.

SKB discounted

Much of the effect of SmithKline Beecham's decline in first-quarter profits from £235m to £219m had been anticipated in the recent share price weakness.

Analysts agreed that the shortfall had come as a result of debt incurred in last summer's merger between SmithKline Beckman and Beecham. They were divided, however in their assessment of the results. On the negative side, some said that if last year's first-quarter figure was adjusted to account for the debt, the year-on-year growth would be about 13 per cent - at least 5 percentage points below what analysts expected from the sector.

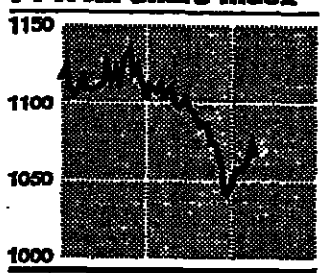
Bulls of the stock, however, such as Mr Ian Moore of UBS Phillips & Drew, said that the pharmaceutical division's operating profits had grown 40 per cent in a year. He said that the year as a whole would show growth of 18 per cent on 1989.

SmithKline "A" dipped to 466p at one point in the afternoon session, but recovered to 472p for a net decline of 6 after good turnover for the stock of 4.2m shares.

Profit reductions

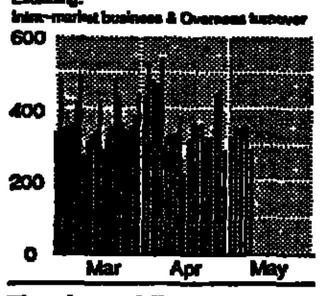
Trafalgar House were hit by a series of downgradings after reporting half-year profits in line with analysts' forecasts.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The shares fell 10 to 286p as turnover rose to 5.1m.

Interim profits edged up to £116.9m from last year's £113.8m, in spite of a 19 per cent drop in operating profits from its property and housebuilding business to £67m. The company also increased the interim dividend by 10 per cent to 8.8p a share.

Analysts were not impressed, however, and Laing & Cruickshank cut its estimate of full year profits to £245m, from £275m, and forecast 1991 profits of £220m, compared with £300m previously.

Mr Fred Wellings at Laing said: "Property development profits will be very seriously eroded over the next two to three years and the possibility of provisions cannot be ruled out."

On the other hand, Mr Robert Gibson at Robert Fleming believed the shares would remain attractive because of the yield of around 8 per cent, but he too shaved his original 1990 forecast by 15m to £270m. James Capel kept to its original 1990 forecast of £273m, but lowered the 1991 prediction by £15m to £300m.

Analysts confused

A sharp rise in shares of Brent Walker in the wake of doubled full year profits was more than reversed after the analysts' meeting and as the market took a closer look at the figures.

The profit figure of £82.2m was £10m above the most optimistic of analysts' forecasts, but included higher-than-expected income from the sales of public houses and betting shops. If they had been stripped out, the profit would have been well below the bottom end of the range of forecasts.

The result was to leave many analysts floundering in their efforts to predict this year's figures. The trend was to upgrade from around £80m to between £90m and £100m. They were positive on the stock in the short term, pointing out that the company had shareholders' permission to buy back up to 10 per cent of its shares.

The chairman struck a positive note, saying that "pubs, brewing and betting services . . . normally show a strong resistance to reductions in consumer spending . . . the current year has started well and we look forward with confidence."

The market, however, was less convinced and the shares retreated from an early high of 315p to close at 296p, a decline of 7 on the session.

A mid-morning raid from BZW on Mersey Docks & Harbour pushed the shares sharply higher. Traders said that BZW was bidding for 1m shares – almost 1.7 per cent of the company – at 199p per share in a minimum size of 100,000. BZW was said to have been conducting the business for a north country broker.

The names of several possible suitors did the rounds. Peel Holdings, which has had a 10 per cent stake since 1987, was top of the list. The company denied the suggestion that it was buying stock. Sources close to Associated British Ports said it was unlikely to be behind the raid, and analysts said a hostile approach was not in the style of P & O. Other, more vague, possibilities included a northern property company with ties to Peel.

Analysts pointed out that one obstacle to a possible takeover was a 20 per cent stake held by the UK Government.

Mersey closed at 202p mid-price, up 46, with three marketmakers offering to buy stock at 199p. Peel climbed 4 to 144p ahead of an announcement that the company had on Tuesday bought 50,000 of its own shares at 140p.

High street banks had a bad day as analysts at BZW issued a cautious study of bad debt. The securities house focused on Barclays, where the current year's profit forecast was cut to £1.6bn from £1.65bn, and Midland, reduced to £522m from £590m.

They also said that dividend growth for Barclays, NatWest and Lloyds would be 15 to 16 per cent instead of 17 to 18 per cent. That at Midland would remain at 10 per cent as the bank stayed mindful of the 14.9 per cent stake held by potential predator Hongkong and Shanghai Banking.

Fears that BZW had cut forecasts sharply across the board were behind an initial sharp fall in share prices. They soon recovered only to weaken once again with the market's retreat in the afternoon session. Barclays shed 16 to 524p, Lloyds lost 10 to 265p, NatWest slipped 7 to 329p and Midland eased 5 to 290p.

Abbey National gave up 2 to 189p in good volume of 8.1m shares. Traders said 2½m had been placed with institutions.

Energy stocks were weaker, along with the wider market, and tended to shrug aside the firmer trend in crude oil prices. The latter apparently responded to the continuing work to rule being carried out by North Sea contract oil workers on the Brent system.

BP dipped 4 to 316p, although turnover in the stock contracted to a meagre 2.4m shares, well down on usual levels. The first-quarter figures are expected at 1.45pm today.

Kleinwort Benson, a strong supporter of BP shares, expects the group to come out with historic cost net income of £380m, including exceptional items of £98m.

The securities house thinks oil prices will recover as Opec cutbacks feed through and seasonal demand picks up in the second half.

For the full year Kleinwort is going for £1.57bn. It expects an unchanged quarterly dividend of 3.95p, with the annual total rising 10 per cent to 16.4p.

Shell shed 5 to 440p, while British Gas, with the biggest turnover of the oil and gas sector – 5.1m – eased a shade to 204½p.

Fisons was one of the best performers of the day among FT-SE stocks after County NatWest said that Tilade, the company's asthma drug, set set to go before the advisory committee of the US Food and Drug Administration on June 11. Full approval usually follows within a few months. The shares rose 7 to 339p, despite caution from some quarters which pointed out that the summer sales season for asthma sufferers would be over before the drug reached the market.

The food manufacturing sector perked up, helped partly by a long note on the world chocolate industry by S. G. Warburg. In the UK, Cadbury Schweppes offered the best opportunities to investors, said Warburg, which was a buyer of stock. Cadbury closed 2 higher at 314p.

Hillsdown firmed 2 to 242p following a series of presentations at Kitcat & Aitken, the agency broker. Hillsdown said that recent worries over its non-food interests had been overdone, while its poultry division was at an all-time level of profitability.

Press reports that Mr John Major, the UK Chancellor, plans to cut defence spending by £1bn next year weakened a number of defence-related stocks. Among those affected by the news was GEC, 2 lower at 197p, VSEL, off 13 at 277p, and Vickers, down 6 at 202p.

Sketchley dived 30 to 206p after Tuesday's late warning that profits will fall "materially short" of the forecast made in March. The company also served notice on three directors.

Leading housebuilder George Wimpey weakened late on small volume and finally displayed a loss of 6 at 217p. A trader thought the movement stemmed from apprehensions that researchers might soon lower profit estimates for the group following last week's downgrading of Barratt Developments by Hoare Govett.

■ Other Market statistics, including the FT-Actuaries share index, Page 28

FINANCIAL TIMES STOCK INDICES

	May 9	May 8	May 4	May 3	May 2	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.10	78.24	75.96	74.89	74.27	85.56	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.36	85.18	83.35	84.74	84.59	97.36	92.91 (5/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1695.6	1710.1	1696.8	1678.0	1676.0	1763.4	1968.3 (2/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	226.6	227.0	215.6	215.5	219.5	173.3	378.5 (5/2)	215.5 (3/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2162.7	2182.0	2162.2	2134.9	2137.6	2117.0	2463.7 (2/1)	2103.4 (30/4)	2463.7 (2/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.36	5.31	5.35	5.41	5.41	4.44				
Earning Yld %(full)	12.00	11.90	11.99	12.12	12.11	10.81				
P/E Ratio(Net)(*)	10.08	10.14	10.07	9.98	10.00	11.17				
SEAQ Bargains 4.30pm	19,872	21,785	20,327	18,245	20,174	24,126				
Equity Turnover(£m)†	-	665.21	786.84	705.55	747.67	1279.54				
Equity Bargains†	-	20,889	19,442	17,836	20,159	28,791				
Shares Traded (ml)†	-	298.2	357.0	354.7	358.8	485.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 9.95

Ordinary Share Index, Hourly changes — Day's High 1708.6 — Day's Low 1695.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1708.3	1708.6	1704.3	1702.0	1702.2	1702.6	1699.7	1698.3	1695.4

FT-SE, Hourly changes — Day's High 2179.7 — Day's Low 2160.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2179.4	2174.4	2171.4	2171.1	2170.8	2170.7	2165.8	2165.3	2161.3

GILT EDGED ACTIVITY

Indices	May 8	May 4
Gilt Edged Bargains	117.3	93.4
5-Day average	88.8	83.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 29 available on request. London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
British Land	788	334	-8
BP	2,400	316	-4
British Steel	3,400	142½	+½
British Telecom	2,700	258½	-3½
Bunzl	1,400	90	+4
Burmah Oil	230	570	-7
Burton	305	157	-1
Cable & Wire.	2,300	488	+4
Cadbury	1,400	314	+2
Calor Group	88	256	-4
Carlton Comms.	146	568	
Coats Viyella	221	112	-1
Comm. Union	882	453	-7
ICI	352	1100	-8
Inchcape	1,300	244	-6
Kingfisher	630	286	+3
Ladbroke	1,200	277	-8
Land Securities	157	470	-1
Laporte	83	502	-1
Legal & General	148	357	-2
Lloyds Abbey	446	263	
Lloyds Bank	1,200	265	-10
LASMO	588	375	
Lonrho	716	230	-1
Lucas	1,800	611	-9
Racners	964	1104	-15
Rolls Royce	3,000	187½	-1½
Rothmans	101	669	-11
Royal Bk Scotland	678	153	-4
Royal Insurance	1,400	443	-7
STC	1,600	240	-6
Saatchi	2,700	115½	-1½
Sainsbury	1,500	260	-2
Scottish & New.	639	293	-1
Sears	3,500	92	
Sedgwick	156	268	-2
Severn Trent Water	578	139	-3
Shell Transport	1,200	440	-5
Unilever	968	697½	-4½
United Biscuits	2,700	325	+3
Utd. Newspapers	66	326	+2
Water Package Util.	1	£1418	-27
Wellcome	776	643	-7
Welsh Water	341	149	-4
Wessex Water	45	143	-6
Whitbread 'A'	195	380	+1
Williams Hldgs.	1,100	234	-1
Willis Faber	473	289	-2
Wimpey	392	217	-6
Yorkshire Water	238	157	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (19).
BRITISH FUNDS (4) BANKS (1) BUILDINGS (1) ELECTRICALS (2) ENGINEERING (1) HOTELS (1) INDUSTRIALS (1) Stag Furniture, INSURANCE (3) NEWSPAPERS (1) TRANSPORT (1) TRUSTS (2) MINES (1).
NEW LOWS (166).
AMERICANS (3) CANADIANS (2) BANKS (4) BREWERS (6) BUILDINGS (9) CHEMICALS (8) STORES (9) ELECTRICALS (8) ENGINEERING (9) FOODS (4) HOTELS (3) INDUSTRIALS (38) ADT, AIM, Aberfoyle, Allied Part., Armour Tst., BSG Intl., BSS, Biopian, Cargo Control, Claybithe, Cosalt, Cowan de Groot, Davis Godfrey, Glaves, Hay (Norman), Hornby, IMP Intl., Isotron, Lynx, Mosaic Invs., Oriflame, Pentland, Pilkington, Polymark, Do. Red. Ptg. "A", Record, Reliant, Sketchley, Sotheby's Class A, Tamaris, Tilon, Trafalgar Hse., Tubular Edgington, Unigroup, Utd. Guarantee, Wellcome, Westerly, Willaire Cv. Rd. Pf., INSURANCE (6) LEISURE (7) MOTORS (12) NEWSPAPERS (1) PAPERS (8) PROPERTY (12) TEXTILES (4) TRANSPORT (3) TRUSTS (28) OILS (3) OVERSEAS TRADERS (1) MINES (14) THIRD MARKET (4).

APPOINTMENTS

Midland Bank chief executive

Mr Gene Lockhart *(above)*, chief executive of group operations at the MIDLAND BANK, has been appointed to the additional post of chief executive of UK banking from June 1, *writes David Lascelles, Banking Editor*. Mr Lockhart succeeds Mr Michael Fuller who is retiring.

Mr Rodney Baker-Bates, deputy chief executive of UK banking, becomes managing director, UK banking. Mr Ronald Price, director of group information technology, becomes managing director of UK operations.

Mr Lockhart, who is a US citizen, joined Midland in 1987 after working for the bank as an information technology consultant, and was appointed an executive director in 1988. He is 40.

Mr Baker-Bates, 46, became a general manager of Midland in 1984 and was then appointed UK corporate banking director. Mr Price, 52, joined Midland in 1985 and became director of group information technology in May 1989.

■ Mr Peter Davison has been appointed financial director of SEVERFIELD-REEVE. He was financial controller.

■ GKN VENDING SERVICES, Bilston, has appointed Mr R.G. Tompsett as director and general manager; Mr D.C. Humphreys as sales and marketing director; Mr M.N. Jones as service director; and Mr J. Larkin as director, controller and secretary.

■ Mr Dennis Clark, chairman of the process and energy sector of AMEC, has been appointed to the main board.

■ Mr Alf Evans has been appointed managing director of WRANGLER, Nottingham, for UK and Ireland from June 1. He succeeds Mr John Hart, who becomes vice president, V.F. International. Mr Evans joins from Centaur Clothes where he was deputy managing director.

■ Mr Geoffrey Wilson, chairman of Delta, has been appointed chairman of NATIONAL WESTMINSTER BANK's West Midlands and Wales advisory board, on which he has served since 1985. He is a director of Blue Circle Industries, English & International Trust, Southern Electric and Vicarage Motorcars. He succeeds Lord Boyne, who has retired.

■ Mr Hugh Try, chairman of Try Group, has been elected chairman of the national contractors' group of the Building Employers Confederation.

■ Mr David Tyson, managing director of Alfred McAlpine Concrete Masonry, has been elected chairman of the Aggregate Concrete Block Association.

■ Mr Bruce Cheer has been appointed a director of CLAYFORM DEVELOPMENTS.

■ EVERFRESH FROZEN FOODS, part of Park Food Group, has promoted Mr S.J. Webb from financial controller to finance director, and Mr A.J. Clark from divisional sales manager to sales director.

■ Mr Michael Hammond has joined SWISS BANK CORP as a director, equities syndicate. He joins from a similar post at Credit Suisse First Boston.

■ NATIONAL PROVIDENT INSTITUTION has appointed Mr Peter Morgan as a director. He is director general of the Institute of Directors.

Mr Richard Heley *(pictured)* rejoins HILL SAMUEL BANK on June 1 as a director in the corporate finance department. He had been a director for six years when he left in 1986 to become head of Barclays de Zoete Wedd's corporate finance department. He became managing director of UK corporate finance at Citicorp in September last year.

■ Mr Graeme Jackson, chairman and chief executive of Warringtons, has been appointed a non-executive director of WINDSOR, following Warringtons' acquisition of a major shareholding.

■ Mr Terry Maywood has been appointed operations director of RYMAN, a subsidiary of Pentos. He was operations manager.

■ VARTA INDUSTRIAL BATTERIES, Crewkerne, has appointed Mr Richard Haines as managing director following the retirement of Mr C.W.E. Wood. Mr Haines was head of sales and marketing, AEG (UK) engineering division.

■ Mr Keith Hobbs has been appointed chairman of ADT SECURITY SYSTEMS. He was managing director of Britannia Security Systems until its acquisition by ADT.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99⅞	96½	Treas. 3pc 1990	99⅞xd		3.02	
99½	97⅞	Treas 8½pc 1987–90‡‡	99⅛xd	+⅛	8.29	
98⅛	97⅛	Treas. 8pc Cv 1990 ‡‡	98⅛	+⅛	8.07	
97⅜	96⅛	Treas. 10pcCv 1990	97⅞		10.22	
95¾	93¼	Exch 2½pc 1990	95⅞xd	+⅛	2.61	
98⅛	97⅛	Treas 11¾pc 1991	98⅛		11.97	
94⅝	92⅛	Funding 5¾pc '87–91‡‡	94⅛	+⅛	6.08	
92⅛	89⅞	Treas. 3pc 1991	92⅛xd	+⅛	3.23	
96⅛	94⅛	Treas 10pc Cv '91 ‡‡	95⅞	-⅛	10.45	
97⅛	94⅞	Exch. 11pc 1991	95⅞		11.48	
92⅛	90⅛	Treas. 8pc 1991	91⅞xd	+⅛	8.73	
101⅛	97⅛	Treas 12¾pc 1992‡‡	98⅛	-⅛	13.00	
96	92⅞	Treas 10pc 1992	93⅞	-⅛	10.68	
91⅛	89¼	Treas. 8pc 1992 ‡‡	90⅛		8.86	
97⅛	93⅛	Treas 10½pc Cv 1992‡‡	94⅛	-⅛	11.14	
84⅛	82⅛	Treas. 3pc 1992	84⅛xd	+⅛	3.56	
100⅛	95⅛	Exch. 12¼pc '92	96⅛	-⅛	12.65	
104	98⅛	Exch 13½pc 1992	99⅛	-⅛	13.59	
91½	86⅛	Treas 8¼pc 1993	88⅛	-⅛	9.37	
96⅛	90⅛	Treas 10pc 1993‡‡	91⅛	-⅛	10.88	
103⅛	96⅛	Treas 12½pc 1993‡‡	97⅛	-⅛	12.82	
85⅛	82	Funding 6pc 1993‡‡	83⅛	+⅛	7.20	
107⅛	99⅛	Treas 13¾pc 1993‡‡	100⅛xd	-⅛	13.62	
91	84⅛	Treas. 8½pc 1994	85⅛	-⅛	9.89	
111⅛	102⅛	Treas 14½pc 1994‡‡	103⅛	-⅛	13.95	
107⅛	99⅛	Exch 13½pc 1994	100⅛	-⅛	13.42	
96⅛	89⅛	Treas. 10pc Ln. 1994‡‡	90⅛	-⅛	11.06	
104⅛	96⅛	Exch. 12½pc 1994	97⅛	-⅛	12.80	
92⅛	85	Treas 9pc 1994‡‡	86⅛	-⅛	10.41	
		Five to Fifteen Years				
103⅛	94⅛	Treas 12pc 1995	96⅛	-⅛	12.49	
76⅛	73	Exch 3pc Gas 90–95	74⅛		4.04	
96⅛	88⅛	Exch. 10¼pc 1995	89⅛	-⅛	11.46	
108	97⅛	Treas 12¾pc 1995‡‡	99⅛	-⅛	12.85	
112⅛	101⅛	Treas. 14pc '96	103⅛	-⅛	13.54	
92⅛	82⅛	Treas 9pc 1992–96‡‡	84⅛	-⅛	10.69	
119⅛	107⅛	Treas 15¼pc 1996‡‡	109⅛	-⅛	13.99	
110⅛	99⅛	Exch 13¼pc 1996‡‡	100⅛	-⅛	13.13	
96⅛	85⅛	Conversion 10pc 1996	87⅛	-⅛	11.45	
112⅛	98⅛	Treas 13¼pc 1997‡‡	100⅛	-⅛	13.12	
[illegible]						

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
25⅞	20⅛	Consols 2½pc	22		11.36	–
25⅛	20⅛	Treas. 2½pc	21⅛	-⅛	11.49	–
[illegible]						

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	14⅛	Chase Manhattan $12½	14⅛xd	-⅛	$2.36	–	9.8
19⅛	14	Chem. Banking Corp$1	15	-⅛	$2.72	–	10.9
12⅛	9⅛	Chrysler $6¼	9⅛xd	-⅛	$1.20	–	7.4
18⅛	12⅛	Citicorp $1	13⅛xd	-⅛	$1.78	–	7.9
39⅛	31⅛	Colgate-Palmolive $1	35⅛	-⅛	$1.48	–	2.5
[illegible]							

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	219	ANZ SA1	224	–5	44c	1.4	8.9	8.0
196	172	Abbey National 10p.	189	–2	5.7	4.3	4.0	7.7
282	224	Allied Irish Ord	224	–3	Q40%	♦	4.4	♦
£13¾	£11¾	Algemene Fl.10	£12¼	......	Q28%	2.1	7.3	6.4
85	73	Anglo Irish	75	–2	Q18.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p.	68	......	2.5	1.3	4.9	19.6
£71½	£54½	Bancaire Cie Fr100.	£71½	+1½	Q174%	–	2.0	–
£22¼	£16¾	Banco Bilbao Viz.	£18	......	Q17.9%	2.0	4.0	12.6
£31	£24½	Banco de Santander.	£28	......	Q25%	2.4	4.0	10.4
286	224	Bank Ireland Ir£1.	226	......	Q12%	3.2	5.2	7.7
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	345	......	13.5	–	5.2	–
125	104	Bank Scotland	107	–2	4.55	Q3.6	5.7	6.5
100¼	83¼	Do. 9¼pc Irrd Pf.	87	+½	9¼%	–	14.2	–
54	42	Bank of Wales	42	......	2.8	♦	8.9	♦
599	493	Barclays £1	524	–16	27.4	3.5	7.0	5.2
22	14	Benchmark 20p.	15	+1	1.63	1.0	14.4	8.6
335	310	Brown Shipley £1.	314	–2	10.5	–	4.5	–
455	361	Cater Allen £1	364	+2	23.5	–	8.6	–
179	137	Chancery	137	–2	8.0	2.8	7.8	6.0
£23¾	£19¾	Commerzbk DM10.	£21½	......	Q18%	–	3.1	–
£13½	842	Dai Ichi Kgt Y50.	900	......	Q16%	8.8	0.3	34.4
£313¾	£262¼	Deutsche Bk DM50.	£289½	–2½	Q28%	–	1.8	–
£20¾	£19	Espirito Santo	£19¾	......	475c	3.3	2.3	13.5
253	183	First Nat. Fin. 10p.	198	......	13.0	2.4	8.8	6.1
121	96	FNFC 6.3pc Cv. Pf.	98	–2	6.3%	–	8.6	–
£15¼	953	Fuji Bank Y50	£10½	......	Q15.6%	4.2	0.3	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

For EMC see TRANSPORT

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels		453	.....	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	y	219	.....	6.0	4.2	3.8	8.5
190	145	Bostrom 5p	y	150	.....	5.75	3.1	5.1	6.8
266	191	Dowty 50p	β	210	−2	18.0	2.9	5.1	11.0
239	155	FR Group	β	166	.....	6.37	♦	5.3	♦
135	63	Kwik-Fit Hldgs. 10p	β	65xd	−1	2.4	♦	4.9	♦
694	568	Lucas Inds. £1	α	611	−9	†25.0	3.0	5.5	6.9
14	9	Spice 5p	y	9	.....	♦g1.2	0.4	‡	69.0

Garages and Distributors

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	y	21	−1	1.0	3.0	6.3	6.3
135	110	Appleyard 10p	β	112	−3	7.8	2.4	9.3	5.2
110	73	Blatchley Motor 20p	y	85	+5	7.5	♦	12.3	♦
568	508	Caffyns 50p	β	510	−8	11.5	0.4	3.0	—
121	103	Central Motor Auctns.	y	103	.....	3.25	3.0	4.2	10.4
61	28	Cook (D.C.) Hldgs.	y	33	+1	‡1.33	—	‡	—
69	33	Cowie (T.) 5p	β	34	−5	4.2	2.2	16.5	3.2
95	68	Dagenham Motors 10p	y	72xd	−2	5.25	2.8	9.7	5.0
98	81	Davenport Vernon 10p	y	93	.....	3.5	3.6	5.0	6.5
29	16	Equity & Gen 5p		20	.....	†1.5	1.7	10.0	(7.1)
[illegible]									

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£22¼	£18¼	Hamilton Oil Corp.		£19¾	−¼	Q10c	—	0.3	—
210	162	Hardy Oil & Gas 50p	β	176	+4	—	—	—	—
138	122	Int'l Pet Crpn.		122	−1	—	—	—	—
27	15½	KCA Drilling 1p	y	16½	−½	†	—	—	♦
35	14	Kelt Energy 10p	β	17½	−1½	—	—	—	—
60	31	Do. 6pc Cr. Prf.	y	32	−1	6%	—	25.0	—
148	111	Kingston Oil & Gas 50p	y	130	−5	1.66	4	1.7	—
425	360	LASMO	α	375xd	.....	b7.5	1.6	2.7	27.3
170	130	Do. "Ops" 10p	β	155	−2	21.61	—	18.6	—
99	94½	Do. 9⅝pc CnRdPf £1	y	95	.....	9.63%	—	13.5	—
3	1½	Meridian Oil		2½	−⅛	—	—	—	—
206	161	Mid & Scot. Res.	y	163	.....	n—	—	—	—
£39½	£34	Mobil Corp $2		£36	.....	Q$2.90	—	4.8	—
40½	32½	Monument Oil 5p	β	34½	.....	—	—	—	30.7
[illegible]									

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	138	Anglesey Mining 9p	y	138	.....	—	—	—
110	60	Do. Warrants	y	60	.....	—	—	—
17	12½	Anglo-Dominion		14	.....	—	—	—
651	446	Bond Intl. Gold		446	−13	—	—	—
37	21	Butte Mining 10p	y	22	+1	—	—	—
44	18	Colby Res Corp.		20	−1	—	—	—
122	35	Cons. Murch. 10c		42	−2	Q30c	5.5	18.5
26	4	DRX Inc.		11	+1	—	—	—
24½	12½	Emer Int. Ir10p	y	13	−½	—	—	—
[illegible]								

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
¤ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
[illegible] No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or −
Albany Inv 20p	y	76	.....
Craig & Rose £1	y	810	.....
Finlay Pkg. 5p	y	55	−1
Holt (Jos) 25p	y	1388	−2

IRISH

Stock		Price	+ or −
Cap. 8½% Ln. 1991		£98	.....
9pc Cap Ln. 1996		£94¾	.....
Fin. 13% 97/02		£112	.....
Arnotts		400	.....
Carrol (P.J.)	y	150	.....
Hall (R. & H.J.)		175	−10
Helton Hldgs.	y	70	.....
IRG		200	.....
United Drug		165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¾
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	68

Property

Stock	p
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	18
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Stock	p
Lonrho	20
RTZ	65

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.07	49.07	52.49	+0.16	5.22
Gilts & Fixed Int	6	101.7	101.7	107.8	+0.3	10.20
High Inc Equity	6	125.0	128.4xd	136.6	-0.1	6.65
Worldwide Bond	6	193.5	193.5xd	205.0	+0.3	6.29
Capital Growth						
American Growth	6	183.0	183.0	195.8	+0.8	1.05
Asian Pacific	6	133.0	135.8	144.5	-0.7	0.00
Assets & Earnings	6	144.2	144.2	154.3	-0.4	3.14
Capital Reserve Acc	0	90.40	90.40	90.53	+0.29	6.63
Capital Reserve Inc	0	73.98	73.98	76.09	+0.24	7.89
Comdty & Energy	6	96.78	96.78	103.6	....	0.81
Dividend & Growth	6	44.58	45.58	48.49	-0.06	4.64
1992 Enterprise	6	59.56	59.56	63.71	-0.02	2.51
Euro Capital Acc	6	106.3	106.3	113.7	+0.3	0.84
Euro Capital Inc	6	102.1	102.1xd	109.2	+0.3	0.87
General	6	162.9	162.9	174.3	....	2.87
International	6	59.07	59.80	63.62	+0.12	0.79
Japan	6	95.93	95.93	102.6	+0.2	0.00
Mastertrust	6	87.29	87.29	93.36	+0.04	2.51
UK Growth Acc	6	163.4	163.4	174.8	-0.7	1.63
UK Growth Dist	6	106.8	106.8xd	114.3	-0.3	2.49
US Emerging Cos	6	55.02	55.02	58.85	-0.01	0.00
Income & Growth	6	278.2	278.2xd	297.6	-0.6	3.44
Ethical	6	44.56	44.56	47.66	+0.06	2.10

Abtrust Management Ltd (1200)H

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ∇ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 071-493 7262
Dealing 071-493 8545

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	53.75	54.38	57.99	+0.64	0.19
(Accum Units)	5	55.32	55.96	59.68	+0.66	0.19
European Opps	5	78.34	78.48	83.70	+0.14	0.00
(Accum Units)	5	78.77	78.92	84.16	+0.14	0.00
Far Eastern Opps	5	129.02	129.26	137.89	-0.49	0.00
(Accum Units)	5	129.85	130.11	138.77	-0.50	0.00
Golden Opps	5	35.65	35.65	38.02	+0.82	0.00
(Accum Units)	5	36.67	36.67	39.11	+0.85	0.00
Intl Hi-Yield	5	58.75	58.80	62.71	-0.02	4.39
(Accum Units)	5	64.04	64.10	68.36	-0.02	4.39
Sanyo Japan Tst	5	62.69	62.69xd	66.86	+0.15	0.00
(Accum Units)	5	62.69	62.69xd	66.86	+0.15	0.00
Kangaroo	5	29.38	29.38	31.33	+0.02	1.33
(Accum Units)	5	29.55	29.55	31.51	+0.02	1.33
Oriental Income	5	32.61	32.61	34.77	-0.06	5.03
(Accum Units)	5	37.21	37.21	39.68	-0.07	5.03
Tiger	5	145.03	145.03xd	154.69	-0.51	0.72
(Accum Units)	5	147.60	147.60xd	157.43	-0.51	0.72
UK Hi-Yield	5	40.80	40.80	43.51	-0.14	5.26
(Accum Units)	5	46.65	46.65	49.75	-0.16	5.26
UK Opps	5	52.43	53.72	57.44	+0.05	0.74
(Accum Units)	5	56.05	58.59	62.59	+0.06	0.74

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Town Road, Washington NE37 2SR 091 415 3034

Balanced Portfolio	6	89.16	90.80	96.60	-0.46	4.60

Timberlake Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Portfolio	2	96.45	96.45	99.11	-0.14	1.19

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing—12 Noon Historic

TR American Grth	5¼	47.12	47.12	50.26	-0.30	0
TR EurSp Sits Acc	5¼	46.42	46.42	49.33	+0.29	0
TR EurSp Sits Inc	5¼	45.52	45.52xd	48.38	+0.29	0
TR Far East Opps Inc	5¼	23.30	23.38	24.88	-0.04	–
TR Far East Opps Acc	5¼	23.30	23.38	24.88	-0.04	–
TR General Growth	5¼	71.41	71.41	75.96	(z)	2.70
TR Global Tech	5¼	72.90	72.90xd	77.76	-0.35	0
TR Income Growth	5¼	82.24	82.24	87.48	(z)	4.98
TR Income Monthly	5¼	47.71	49.71	52.88	(z)	7.49
TR Japan Growth	5¼	80.46	80.46	85.43	-0.36	0

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	95.7	99.3xd	-0.1	3.93
NC Property	191.9	204.7xd	.....	–

J. Rothschild Fund Managers Ltd

Intl Exempt	142.9	144.4	.....	3.98

Stewart Ivory & Co Ltd

Saints PPP Apr 2	248.4	261.5	.....	0.00

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt May 1	97.17	103.88xd	.....	3.98
(Accum Units)	97.95	104.69xd	.....	3.98

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1224	1238xd	.....	1.46
TR Exempt Nth Amer	942	952xd	.....	2.42
TR Exempt Pac Basin	962	972xd	.....	0

INSURANCES

AA Friendly Society
Government Mngt M & G Inv Mngt Ltd

AA Friendly Sy Apr 12	–	160.1	.....	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	299.7	315.5	.....	–
Equity Ser. 1	123.7	130.3	-0.7	–
Prop. Acc. Ser 2	461.9	486.3	.....	–
Equity Ser 2	143.6	151.1	-0.7	–
Selective Acc.	335.6	353.3	-1.0	–
Prop. Ser. 4	362.4	381.5	-0.1	–
Equity Ser. 4	148.4	156.3	-0.1	–
Man. Ser. 4	429.7	452.4	-0.2	–
Fixed Int. Ser. 4	208.4	219.5	-0.2	–

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 081-534 5544

Clerical Medical Investments Group
Narrow Plain, Bristol BS2 0JH 0272-290566

	Bid Price	Offer Price	+ or -	Yield Gross
Performance Premium				
With-Profits (Reg)	126.8	133.5	+0.1	–
With-Profits (Single)	126.8	133.5	+0.1	–
Mixed	151.9	159.9	-0.1	–
Index Linked	113.8	119.8	-0.2	–
Cash	125.1	131.7	+0.1	–
Special Situations	99.7	105.0	-0.6	–
International	129.7	136.6	+0.3	–
Gilt & Fixed Int	96.1	101.2	-0.2	–
Property	131.0	137.9	+0.1	–
UK Equity	137.5	144.8	-1.1	–
European	204.4	215.2	+1.0	–

Equity & Law—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pens N America (z)	109.1	114.8	+0.1	–
Pens Far East (z)	202.9	213.5	+1.0	–
Pens Europe (z)	201.4	212.0	+1.4	–
Pens Overseas (z)	595.1	626.4	+5.5	–
Pens Property (z)	414.9	436.7	.....	–
Pens Fixed Int (z)	311.6	328.0	+3.7	–
Pens Index-Linked Sec (z)	161.3	169.7	+1.0	–
Pens Cash (z)	298.5	314.2	.....	–
Pens DAF Series 2(z)	169.9	178.8	.....	–
Pens DAF Series 1(z)	330.2	347.5	.....	–

For FS Assc Ltd see Britannia Life Ltd

Guardian Royal Exchange—Contd.
GRE Linked Life Assurance Ltd

Laurentian Life plc—Contd.

Merchant Investors Assurance Co Ltd—Contd.

Continued on next page

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OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461

Atlas Fund

	Bid Price	Offer Price	+ or -	Yield
Global Cap Portfolio	$- 2.454	2.602	[illegible]	0.25
United States Portfolio	$- 2.499	2.651	[illegible]	0.35
United Kingdom Portfolio	£- 1.055	1.119	[illegible]	11.00
Cont. Europe Portfolio	DM- 4.644	4.933	[illegible]	0.45
Europrime Portfolio	£- 1.137	1.205	[illegible]	
Japan Portfolio	£- 0.798	0.847	[illegible]	–
Pacific Portfolio	$- 2.629	2.787	[illegible]	1.00
Gold Portfolio	$- 1.944	2.062	[illegible]	0.35
UK Growth of Income	£- 1.132	1.201	[illegible]	1.90
Sterling Gilt Portfolio	£- 0.890	0.945	[illegible]	5.0
Global Bond Portfolio	$- 1.887	2.000	[illegible]	3.50
Dollar Portfolio	$- 2.077	2.078		7.50
Yen Portfolio	£- 0.870	0.871	[illegible]	2.25
Sterling Portfolio	£- 1.051	1.052		6.40

Midland International Circuit Fund SICAV
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St. Helier, Jersey 0534 37788

	Bid Price	Offer Price	+ or -	Yield
UK Growth	£- 0.975	1.035		–
European Growth	£- 1.119	1.187		–
Japan Growth	£- 1.025	1.086		–
Pacific Growth	£- 0.975	1.035		–
Nth American Growth	£- 1.010	1.072		–
UK Fixed Interest	£- 1.023	1.085		–
Multicurrency Bond	£- 0.996	1.057		–
UK Stlg Liquidity	£- 1.026	1.089		–
US$ Liquidity	$- 1.015	1.075		–

Morgan Grenfell UT Mgrs/Deutsche Bank
Representative for [illegible], Luxembourg
20 Finsbury Circus, EC2M 2UT 071-826 0826

	Bid Price	Offer Price	+ or -	Yield
Eurorenta	DM- 80.37	82.80		–
DM Reserve	DM- 116.23	117.40	-0.1	–
Dollarrenta	$- 48.46	50.00	+0.1	–

Nomura Global Fund
Nomura Intl, Nomura Hse, 24 Monument St
London EC3R 8AJ 071-283 8811

	Bid Price	Offer Price	+ or -	Yield
Asia Pacific P'folio		$8.55		–

Royal Trust Asselmix Fund
41 Avenue de la Gare L-1611, Luxembourg 352 489 061

Equity Funds

	Bid Price	Offer Price	+ or -	Yield
Alpha UK	£-	1.15		0
Alpha US	$-	1.41	+0.02	0.00

NM Financial Mgmt Intl Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Fund	$0.667	0.709	-0.008	0.00
Hong Kong Fund	£1.745	1.856	-0.010	0.02
International Fund	£1.361	1.447	+0.002	0.35
Japanese Fund	£2.590	2.755	+0.016	0.00
Japan Smaller Cos	£4.945	5.260	+0.046	0.00
Singapore & Malaysian	£1.489	1.583	-0.003	0.00
Dollar Fixed Interest	$0.954	1.016	+0.002	7.05
Sterling Fixed Int	£0.806	0.857		12.22
Deutschemark Currency		DM4.780		2.36
Dollar Currency		$0.985		4.91
Sterling Currency		£0.987		10.48
Yen Currency		Y148.5		1.48
Managed Currency	£0.940	0.999		6.94

Nikko Capital Mgmt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y3.388	3.421		–
New Generation Fd. S.	$19.91	20.12		–
Japan Index Alpha	Y9.952	10.102		–
Jap Sector Rotation	Y8.702	8.852		–

Strongbold Asset Mgmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm	£12.47	13.94		–
Pacific Basin Fd	$95.41	101.42		–
Western European	$17.53	18.77		–

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	52.29	1.57	+0.03	–
Hi Yield Bond	62.9	66.1	+0.1	13.90
Internat. Spec. Sits	47.4	49.9	+0.6	–
Marathon Fd	78.0	82.0	+0.8	–

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares		$705.39		–
Fixed Income Shares		$810.00		–

Wellington Fd Mgrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intnl Growth Fd	$13.34	14 00		–

Yamaichi Capital Mangmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Meta Growth		$11.46		–
Yamaichi ISS Fund		$8.17		–
Yamaichi CB Pac Fund		$8.67		–
Thai Inv Fund		$12.12		–

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls against D-Mark

Fading expectations of higher US interest rates contributed to a sharp decline of the dollar yesterday. Last Friday's US employment data was much weaker than expected, and in spite of other recent figures indicating an upturn in the economy the market now doubts that the Federal Reserve will tighten its monetary stance. Signs that President George Bush is keen to reduce the US budget deficit increased speculation that US rates could fall. Mr Bush and Congress have agreed on the formation of a group to look into ways of reducing the deficit, including the possibility of higher taxes. This reflects fears that savings of $100bn might be needed in 1991 to meet the legal limit of a $64bn deficit.

Expectations that yesterday's auction of 10-year US Treasury notes was unlikely to be as successful as Tuesday's three-year note auction added to the weaker sentiment surrounding the dollar, while growing confidence in the ability of West Germany to overcome the possible inflationary problems of monetary union with East Germany boosted the D-Mark. It was announced in Bonn that Parliamentary legislation on monetary union should passed by June 21.

At the finish of trading in London the dollar was at its lowest closing level against the D-Mark since January 1988, falling to DM1.6375 from DM1.6575. The dollar also weakened against the Japanese yen, following selling on Far East markets earlier in the day. It declined to Y156.45 from Y157.85 at the London close, while falling to SFr1.402 from SFr1.438 and to FFr5.5175 from FFr5.5700. The dollar's index fell to 67.2 from 67.7.

The D-Mark rose to Y95.55 from Y95.25 against the yen and showed signs of recovering from its weak position within the European Monetary System. It advanced to L735.55 from L733.65 in terms of the Italian lira and to FFr3.3695 from FFr3.3605 as the French franc suffered from nervousness ahead of a censure vote on the French Government in Parliament last night. Within the EMS the lira continued to hover around its upper divergence limit against the weaker members, but if the D-Mark continues to improve this should reduce the upward pressure on the Italian currency.

Sterling was on the sidelines, gaining ground against the weak dollar, but declining against EMS currencies, the Swiss franc and the yen. The pound rose 90 points to $1.6785, while falling to DM2.7475 from DM2.7675; to FFr9.2600 from FFr9.3000; to SFr2.3575 from SFr2.3925; and to Y262.50 from Y263.50. Sterling's index fell 0.1 to 87.5.

The Swiss franc was even stronger than the D-Mark yesterday. This was partly because of high Zurich interest rates, but also reflected speculation that Japanese companies require the currency to cover liabilities on Swiss franc denominated loans. The Swiss unit rose to Y111.45 from Y110.20 against the yen at the London close.

£ IN NEW YORK

May.9	Latest	Previous Close
£ Spot	1.6775-1.6785	1.6700-1.6710
1 month	0.95-0.94pm	0.97-0.96pm
3 months	2.83-2.80pm	2.75-2.72pm
12 months	9.52-9.45pm	9.45-9.38pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.9	Previous
8.30 am	87.6	87.6
9.00 am	87.6	87.6
10.00 am	87.6	87.7
11.00 am	87.6	87.8
Noon	87.6	87.7
1.00 pm	87.6	87.7
2.00 pm	87.5	87.6
3.00 pm	87.5	87.6
4.00 pm	87.5	87.6

CURRENCY RATES

May.9	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.786047	0.741806
U.S Dollar	7	1.31490	1.24512
Canadian $	13.32	1.52975	1.45094
Austrian Sch.	6½	15.3120	14.3861
Belgian Franc	10¼	44.9466	42.2781
Danish Krone	10½	8.27006	7.79757
Deutsche Mark	6.00	2.17590	2.04374
Neth.Guilder	7.00	2.44769	2.29899
French Franc	10¼	N/A	6.88801
Italian Lira	13½	1597.59	1503.30
Japanese Yen	5¼	208.017	194.862
Norway Krone	8	8.47124	7.97251
Spanish Peseta	-	136.292	128.285
Swedish Krona	12	7.94857	7.47571
Swiss Franc	6.00	1.88425	1.75189
Greek Drach.	20½	N/A	201.523
Irish Punt	-	N/A	0.762568

† European Commission Calculations.
* All SDR rates are for May.8

CURRENCY MOVEMENTS

May.9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.5	-23.9
U.S Dollar	67.2	-10.4
Canadian Dollar	104.2	+1.7
Austrian Schilling	110.2	+12.1
Belgian Franc	111.7	-2.1
Danish Krone	111.4	+5.9
Deutsche Mark	119.9	+25.0
Swiss Franc	113.9	+20.7
Guilder	115.6	+16.8
French Franc	105.4	-11.6
Lira	102.1	-17.7
Yen	117.3	+45.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for May.8.

OTHER CURRENCIES

May.9	£	$
Argentina	8413.50-8421.90	5020.00-5022.00
Australia	2.2065-2.2090	1.3170-1.3180
Brazil	84.6380-86.3655	50.5000-51.5000
Finland	6.5325-6.5470	3.9010-3.9040
Greece	270.15-274.65	160.85-163.45
Hong Kong	13.0455-13.0590	7.7890-7.7910
Iran	115.80*	70.40*
Korea(Sth)	1171.85-1190.80	705.10-710.70
Kuwait	0.4900-0.4910	0.2920-0.2925
Luxembourg	57.00-57.10	33.95-34.05
Malaysia	4.5190-4.5305	2.6995-2.7015
Mexico	4703.00-4722.00	2818.00-2828.00
N. Zealand	2.9090-2.9135	1.7365-1.7385
Saudi Ar.	6.2885-6.2945	3.7500-3.7510
Singapore	3.1250-3.1325	1.8650-1.8670
S. Af (Cm)	4.4075-4.4190	2.6345-2.6360
S. Af (Fn)	6.7305-6.8690	4.0160-4.0985
Taiwan	44.25-44.35	26.40-26.45
U.A.E.	6.1570-6.1645	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

May 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-15	15⅛-14⅞	15⅛-14⅞	15¼-15⅛	15⅜-15¼	15⅞-15⅝
US Dollar	8¼-8	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½	9-8⅞
Can. Dollar	13¼-13	13¼-13	13⅛-12⅞	13⅛-13¼	13⅞-13⅛	13½-13¼
D. Guilder	8¼-7⅞	8¼-7⅞	8⅜-8¼	8⅝-8⅜	8⅞-8⅝	9-8⅞
Sw. Franc	9-8¾	9-8¾	9⅛-9⅛	9⅜-9¼	9⅜-9¼	9½-9
Deutschmark	7⅞-7⅞	7⅞-7⅞	8-7⅞	8¼-8⅛	8⅞-8⅞	8⅞-8⅞
Fr. Franc	9⅞-9½	9⅞-9½	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	10⅛-9⅞
Italian Lira	13-11	13¼-12¼	12⅞-12¼	12⅝-11⅞	12¼-11⅞	12¾-12⅞
Belgian Franc	10¼-10½	10⅞-10⅞	9⅞-9⅞	10-9⅞	9⅞-9⅞	9⅞-9⅞
Yen	7¼-7	7¼-7	7¼-7¼	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
D.Krone	10¼-10½	11-10⅞	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞
Asian $Sing.	8⅜-8⅛	8⅜-8¼	8⅜-8⅛	8⅜-8¼	8⅝-8½	9⅛-8⅞

Long term Eurodollars: two years 9⅛-9¼ per cent; three years 9½-9⅜ per cent; four years 9⅝-9⅞ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

May.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6780-1.6795	1.6780-1.6790	0.95-0.93cpm	6.72	2.82-2.79pm	6.68
Canada	1.9520-1.9610	1.9575-1.9585	0.34-0.26cpm	1.80	0.88-0.75pm	1.67
Netherlands	3.08¾-3.10½	3.08¾-3.09¾	1¾-1½cpm	6.89	5¼-5⅛pm	6.36
Belgium	56.75-57.15	57.00-57.10	30-19cpm	5.52	84-66pm	5.07
Denmark	10.47¾-10.51½	10.49-10.50	4¼-3½orepm	4.43	12-10½pm	4.26
Ireland	1.0245-1.0295	1.0260-1.0270	0.41-0.36cpm	4.48	1.02-0.94pm	3.68
W. Germany	2.74½-2.76	2.74½-2.75½	1¾-1½pfpm	7.37	4⅞-4¾pm	6.85
Portugal	243.45-245.05	243.80-244.80	6-11cdis	-0.54	54-81dis	-1.23
Spain	172.10-173.25	172.25-172.55	14-4cpm	0.64	33-18pm	0.53
Italy	2020½-2029¾	2021¼-2022¼	6½-4½lirepm	3.24	18-15pm	3.30
Norway	10.71¾-10.76¾	10.73-10.74	3¼-2½orepm	3.19	8¾-7¼pm	3.12
France	9.25½-9.29½	9.25½-9.26½	4⅝-4⅛cpm	5.74	12¾-12¼pm	5.38
Sweden	10.05¾-10.10¾	10.07½-10.08½	2½-1¾orepm	2.45	6-5pm	2.21
Japan	262.00-263.60	262.00-263.00	1⅞-1¾ypm	8.34	5¼-5⅛pm	7.82
Austria	19.33-19.45	19.33-19.36	11¼-10¼gropm	6.65	30½-28½pm	6.10
Switzerland	2.35¼-2.37¾	2.35¼-2.36¼	1¼-1⅛cpm	5.98	3½-3⅜pm	5.92
ECU	1.3510-1.3550	1.3525-1.3535	0.56-0.53cpm	4.87	1.59-1.54pm	4.64

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.28-5.32cpm 12 month 9.58-9.40cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.2781	+0.26	+0.42	±1.5508
Danish Krone	7.79845	7.79757	-0.01	+0.15	±1.6453
German D-Mark	2.04446	2.04374	-0.04	+0.12	±1.1762
French Franc	6.85684	6.88801	+0.45	+0.61	±1.3618
Dutch Guilder	2.30358	2.29899	-0.20	-0.04	±1.5272
Irish Punt	0.763159	0.762568	-0.08	+0.08	±1.6689
Italian Lira	1529.70	1503.30	-1.73	-1.57	±1.5162
Spanish Peseta	132.889	128.285	-3.46	-3.46	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.678	2.747	262.5	9.260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.596	1	1.637	156.4	5.518	[illegible]	1.843	[illegible]	1.167	34.00
DM	0.364	0.611	1	95.56	3.371	0.858	1.126	736.1	0.713	20.77
YEN	3.810	6.392	10.46	1000.	35.28	8.979	11.78	7703	7.459	217.3
F Fr.	1.080	1.812	2.967	283.5	10.	2.545	3.339	2184	2.114	61.61
S Fr.	0.424	0.712	1.165	111.4	3.929	1	1.312	857.9	0.831	24.20
H Fl.	0.323	0.543	0.888	84.90	2.995	0.762	1	653.9	0.633	18.45
Lira	0.495	0.830	1.359	129.8	4.580	1.166	1.529	1000.	0.968	28.21
C $	0.511	0.857	1.403	134.1	4.729	1.204	1.579	1033	1	29.14
B Fr.	1.753	2.941	4.815	460.1	16.23	4.131	5.420	3544	3.432	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
June	90.36	90.29	-0.07	90.40	90.27	9.71	14,136
September	90.37	90.30	-0.03	90.40	90.26	9.71	7,467
December	90.35	90.24	-0.07	90.36	90.24	9.75	2,365
March	90.25	90.25	+0.05	90.25	90.25	9.75	141

Estimated volume 9,497 Total Open Interest 24,109

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
May	2150.0	2129.0	-21.0	2153.0	2127.0	4,398
June	2146.0	2124.0	-20.0	2158.0	2124.0	527
July	2148.0	2148.0	+4.0	2148.0	2148.0	1
September	-	-	-	-	-	10

Estimated volume 4,213 Total Open Interest 4,936

Estimated volume 4573 (5341)
Previous day's open int. 23021 (22159)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6785	1.6691	1.6505	1.6260	1.5840

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6638	1.6684	1.6632	1.6584
Sep	1.6386	1.6410	1.6370	1.6328
Dec	-	1.6200	-	1.6106

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptns.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	UDT Bank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N.East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates ease slightly

Trading was quiet in sterling denominated instruments yesterday, as London's financial markets waited cautiously for tomorrow's data on UK retail prices. Short sterling futures weakened on Liffe, but held within a narrow range, while interest rates on the cash market eased slightly. September short sterling opened a little firmer at 85.03, but declined to close at 84.98, compared with 85.02 previously. Three-month interbank was quoted at 15⅛-15⅛ per cent, against 15¼-15⅛ on Tuesday, while 12-month money fell to 15⅝-15⅞ per cent from 15¾-15⅝.

Day-to-day credit was again in short supply on the money market. The Bank of England initially forecast a shortage of £800m, but revised this to £900m at noon. Total help of £874m was provided.

Before lunch the authorities bought £85m bank bills outright in band 2 at 14⅞ per cent. In the afternoon another £739m bills were purchased, by way of £41m bank bills in band 1 at 14⅞ per cent and £698m bank bills in band 2 at 14⅞ per cent. Late assistance of around £50m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £821m, with the unwinding of repurchase agreements on bills absorbing £494m; a rise in the note circulation £40m; and bank balances below target £175m. These outweighed Exchequer transactions adding £510m to liquidity.

In Frankfurt call money eased to 7.85 from 7.90 per cent after the Bundesbank injected liquidity into the banking system. The central bank accepted bids totalling DM25.0bn at this week's two-tranche securities repurchase agreement tender. This added a net DM3.1bn, as an earlier facility of DM21.9bn expired yesterday. The Bundesbank allocated DM10.3bn of 14-day money at rates of 7.75-8.00 per cent and DM14.7bn of 34-day funds at 7.80-8.05 per cent.

Credit conditions are expected to remain tight however, as banks build up reserve holdings. These averaged DM56.2bn for the first seven days of May, against an expected requirement for the month of around DM58bn.

In Amsterdam the Dutch central bank allocated Fl 7.74bn at a tender for six-day special advances, to replace an expiring seven-day pact of Fl 6.56bn. This was provided at 7.90 per cent, compared with 8.00 per cent previously.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.9) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	10	One month	6.79	Three year	8.78
Broker loan rate	9¼	Two month	7.94	Four year	8.82
Fed.funds	8¼	Three month	8.07	Five year	8.83
Fed.funds at intervention	-	Six month	8.22	Seven year	8.88
		One year	8.42	10-year	8.89
		Two year	8.73	30-year	8.87

May.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	8.10-8.20	8.15-8.25	8.25-8.35	8.55-8.65	8.00
Paris	9⅞-9¼	9½-9⅝	9½-9⅝	9⅞-9⅞	9¾-9⅞	9.50
Zurich	8¾-8⅞	9-9¼	-	9-9¼	-	-
Amsterdam	8.20-8.30	8.33-8.36	-	8.43-8.53	-	-
Tokyo	6⅞-7⅛	7⅛-7⅜	-	7⅜-7⅞	-	-
Milan	11⅞-12⅛	11⅞-12⅛	-	11⅞-12½	-	-
Brussels	10.45	9⅞-10	-	9⅞-10	-	-
Dublin	11½-11⅝	11¼-11¼	11⅞-11⅞	11¼-11¼	11⅞-11⅞	-

LONDON MONEY RATES

May 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15⅛	15¼	15⅞	15⅝
Interbank Bid	12	14⅞	15	15⅛	15⅞	15½
Sterling CDs	-	-	15⅛	15⅜	15⅞	15⅞
Local Authority Deps.	14⅞	14⅞	15	15⅛	15¼	15½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14⅞	14⅝	-	-
Company Deposits	-	-	15⅛	15¼	15½	15⅞
Finance House Deposits	-	-	15⅛	15⅜	15⅞	15⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅞	14⅞	-
Dollar CDs	-	-	8.32	8.45	8.60	8.90
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9¼	9⅞
SDR Linked Dep. Bid	-	-	8¼	8⅞	9⅛	9¼
ECU Linked Dep. Offer	-	-	10⅛	10⅞	10⅝	10⅞
ECU Linked Dep. Bid	-	-	10	10¼	10½	10⅝

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.5813 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme I: 15.94 p.c., Schemes II & III: 16.49 p.c. Reference rate for period March 31, 1990 to April 30, 1990, Scheme IV&V: 15.247 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.7,234 Set by FETTLER

ACROSS

1 Potter's art – shaping Emma's bust (12)
10 Streams in full flow, as Trent perhaps (7)
11 Gypsy rose? (7)
12 Try sex appeal, one hears (5)
13 Thought drawer opened differently (8)
15 The Spanish Evita's on various stages (10)
16 Tum's rumble; that's obscene! (4)
18 For the record, part time volunteers exercise (4)
20 Oozes tarry nastiness – that's his penchant (3-7)
22 Spy's affinity is material (4-4)
24 Prefix for many caught in tumult it seems (5)
26 Holding imperfect beat, one drums nevertheless (7)
27 Initially too little in housework? There's a laugh! (7)
28 Date led Terry astray – a special date, indeed (3,6,3)

DOWN

2 One performing in hammy part is terrible (7)
3 Rising Lloyd's participant invests ever so much for each of us (8)
4 Tum's rumble; new wine it seems (4)
5 Tight cape's concealing bigotry (10)
6 Busily active fish is, naturally, rather wet (6)
7 One off to holy places, being sanctimonious, left stern-faced (7)
8 Value too low, having wrongly measured it net (13)
9 As radical premier tended; had things settled beforehand (13)
14 Tar spray – not much use when covering small model (10)
17 See me endlessly glorify flicks (8)
19 Chemical produced by Remploy (7)
21 Cotton cloth! Girl ate on one (7)
23 Stance adopted in St. Andrews (5)
25 From the right, TUC's seen to be contemptible (4)

Solution to Puzzle No.7,233

BISHOP DANISH
CRUMBLE COTERIE
DECELERATE TASK
ONSET TERRAPIN
SEAFARER GEESE
ASTI NIGHTSHIFT
AGAINST FOCUSED
TOGGLE SKETCH

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices May 9

MONTREAL
4pm prices May 9

INDICES

NEW YORK

DOW JONES	May 9	May 8	May 7	May 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2732.88	2733.56	2721.62	2710.36	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	88.97	89.16	88.99	88.83	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1161.45	1165.01	1154.52	1145.09	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.78	212.09	210.51	208.38	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 2745.50 (2739.41) Low 2710.14 (2718.36)

STANDARD AND POOR'S	May 9	May 8	May 7	May 4	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	342.86	342.01	340.53	338.39	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	398.88	398.02	396.55	394.20	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.88	27.88	27.71	27.49	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.49	187.11	186.45	185.38	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	348.53	347.58	347.33	345.73	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	431.34	431.84	431.21	428.61	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 4	Apr 27	Apr 20	year ago (approx.)
Dow Industrial Div. Yield	4.05	4.15	4.07	3.51

	May 2	Apr 25	Apr 18	year ago (approx.)
S & P Industrial div. yield	3.13	3.13	3.05	3.21
S & P Indl. P/E ratio	14.85	14.72	15.08	12.92

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Bristol Myers	2,234,100	58½	+ ½
Gen Electric	2,181,600	66¼	+ ⅝
Philip Morris	1,940,200	43¾	—
Texas Utilities	1,913,900	35⅞	+ ¼
SmKline Bm Un	1,886,500	37⅞	+ 1
Fannie Mae	1,433,700	36	+ ¼
Du Pont (nl)	1,410,700	37⅞	+ ¼
Citicorp	1,361,200	22⅞	- ⅝
Sotheby's	1,259,500	16½	- 3⅛
Phillips Pet	1,236,800	26⅛	—

TRADING ACTIVITY

† Volume (Millions)	May 9	May 8	May 7
New York	153.795	144.230	132.768
Amex	13.377	11.641	9.421
NASDAQ	(u)	133.842	122.687
Issues Traded	1,983	1,969	1,992
Rises	755	798	947
Falls	723	642	553
Unchanged	505	529	492
New Highs	38	41	34
New Lows	57	92	41

CANADA

TORONTO	May 9	May 8	May 7	May 4	1990 HIGH	1990 LOW
Metals & Minerals	3032.50	3011.50	3002.80	2940.20	3453.05 (4/1)	2850.80 (23/4)
Composite	3464.10	3438.00	3421.60	3367.90	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1792.72	1783.03	1772.44	1742.02	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday May 9 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	61.9m	620	+14	Osaka Gas	15.8m	780	-10
NKK	54.8m	648	+30	Kawasaki Steel	14.2m	619	+11
Mitsui Eng&Shp	21.3m	958	+19	Sanyo Electric	10.9m	904	-16
MHI	16.9m	969	+3	Kobe Steel	9.3m	620	+12
Nisshin Steel	16.9m	925	+38	Japan Mils Chm	6.7m	1,590	+20

4pm prices May 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	20¼	AAR	.48	2.2	13	1126	22¼	21¾	21⅞	– ⅛
9¼	8	ACM n	1.01	12.		193	8⅝	8⅛	8⅝	+ ⅛
11⅝	10	ACMIn	1.26	13.		1233	10⅛	d 9⅞	10	– ⅛
9¾	7⅛	ACM M	n1.01	13.		318	7⅝	7½	7½	
12⅛	11¼	ACMMM				135	11⅜	11¼	11¼	– ⅛
11½	9⅜	ACM Sc	1.26	13.		2229	9⅞	9⅝	9⅝	– ⅛
9⅝	8⅛	ACMSp	1.01	12.		1357	8⅝	8¼	8⅝	
22⅞	14⅛	AL Lab	.16	.8	19	553	21	20½	21	
6⅛	2⅛	AM Intl			6	957	2⅜	2⅛	2⅜	+ ⅛
23¼	11½	AM In pf	2	18.		64	11⅜	d11⅛	11⅛	– ⅛
107¼	32½	AMR			12	3918	63⅛	62¾	63	– ⅜
4⅜	3	ARX				25	3⅜	3¼	3⅜	+ ⅛
72¼	39	ASA	3a	6.0		1531	49⅞	47⅞	49⅞	+1⅜
70⅜	54¼	AbtLab	1.68	2.4	17	4840	69⅞	68⅝	69¼	+ ⅛
35⅛	27⅛	AbtLb wi				10	u35⅛	34⅞	35	+ ⅛
17⅛	11¼	Abitibi g	.50			116	12⅜	12⅜	12⅜	
13	8¼	AcmeC	.40	4.3	11	42	9⅜	9	9⅜	+ ⅛
9¼	7⅝	AcmeE	.32	3.7	11	12	8⅝	8⅝	8⅝	– ⅛
38½	28⅜	Acuson			22	202	38⅜	36⅛	38⅜	+ ⅛
16½	13½	AdaEx	2.08e	13.		69	15⅞	15⅝	15⅞	
15⅝	8½	Adobe				721	11	10⅞	11	+ ⅛
20¼	17¼	Adob pf	1.84	9.7		52	19	18⅞	19	+ ⅛
21⅝	19⅞	Adob pf	2.40	12.		17	20½	20¼	20¼	– ⅛
10½	6⅞	AMD			19	2305	9⅛	8⅞	9	
35	28¼	AMD pf	3	10.		28	29½	28½	29½	+ ⅛
10⅛	4⅛	Advest	.16	3.7	65	39	4½	4⅜	4⅜	– ⅛
62½	45¼	AetnLf	2.76	5.5	9	1828	50¼	50⅛	50¼	+ ⅛
14	9⅞	AflPb	.24	2.5		477	9⅞	d 9⅜	9⅝	– ⅛
25	16⅛	Ahmans	.88	4.9	8	8253	18⅛	17⅞	18	
3⅝	1⅞	Aileen				47	2⅛	2	2⅛	+ ⅛
56	40	AirPrd	1.32	2.5	14	1484	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
2⅝	1⅛	vjRaytc			5	30	2⅝	2½	2⅝	+ ⅛
85	60	Raythn	2.40	3.8	6	940	64⅞	63⅞	64	− ⅞
24⅞	21	RdrDg n	.12e	.5		1263	24⅛	23¾	23⅞	
5	15-16	RegB n				400	1⅝	1⅜	1½	
17	14⅛	REIT	1.42	9.7	10	74	14⅞	14⅝	14⅝	
16⅛	13⅝	RltRef	1.72	12.	8	3	14	14	14	− ⅛
12⅞	5	RecnEq				64	5⅝	5¼	5¼	
20	12⅝	Reebok	.30	1.7	12	1067	18⅛	17⅞	18	− ⅛
14⅞	8	Reece	.15e	1.8		8	8¼	8¼	8¼	
½	6-32	Regal				194	15-32	7-16	7-16	
13⅝	12⅞	ReichTg	1.70e	14.	7	29	12⅝	d12½	12½	− ⅛
8⅝	4⅝	RelGrp	.32	6.2	128	186	5¼	4⅞	5⅛	− ⅛
24⅞	18¼	Repsol	n.27e	1.2		1492	23⅝	23⅛	23⅛	− ⅛
5⅝	4¼	RepGyp	.05j		34	17	4⅝	4⅝	4⅝	− ⅛
52⅞	42½	RepNY	1.32	2.9	329	898	46½	45	46	+ ⅞
11⅛	1⅝	Rvene				37	2⅝	2⅝	2⅝	− ⅛
33⅞	18⅞	ReyRey	.80	3.8	9	6	21⅛	21	21⅛	
60⅛	48½	ReyMtl	1.80	3.4	6	887	53¼	52½	53	− ⅛
3½	1⅞	RhnP wt				604	2⅞	2⅞	2⅞	+ ⅛
22	16½	RhnPl n				17	20⅝	20¼	20⅝	+ ⅛
41⅛	29½	RiteAid	.90	2.7	14	676	34⅛	33½	33⅞	
11-32	1-16	RvrOak				3	1-16	1-16	1-16	− 1-64
19⅞	15¾	RbtHlf			14	17	15⅞	15¾	15¾	− ⅛
14⅛	9¼	Robtsn			29	98	12⅛	11⅞	11⅞	− ⅛
22⅛	17½	RochG	1.68	8.3	10	133	18⅞	18⅝	18⅝	+ ⅛
45⅞	29⅝	RochTl	s1.46	4.3	16	182	34½	33⅝	34	− ⅝
22⅛	15⅝	RckCtr	1.89	10.	17	312	18½	18⅛	18½	+ ⅛
27⅛	19¾	Rockwl	.78	3.1	10	3716	25⅛	24⅞	24⅞	− ⅛
7⅝	5	RodRen				3	5⅞	5⅞	5⅞	
37½	20¾	RohHaas	1.20	3.6	12	609	33¼	32¼	33	+1
33⅝	18½	Rohr			74	272	21⅞	21½	21½	− ½
14½	8⅝	RollinE	.08	.6		1528	13	12⅞	13	
21	16⅞	Rollins	.56	3.0	18	305	18½	18⅛	18⅜	+ ⅛
8⅞	7⅛	RolLees	.20	2.4	9	x195	8⅛	8	8⅛	+ ⅛
70	36⅛	Rorer	.84	1.3	30	x1717	63¼	62⅞	63	− ⅛

AMEX COMPOSITE PRICES

4pm prices May 9

NASDAQ NATIONAL MARKET

4pm prices May 9

It's attention to detail

Complimentary copies of the Financial Times are available for business guests staying at the Scandic Crown Hotel in Brussels.

SCANDIC CROWN HOTEL

FINANCIAL TIMES

AMERICA

Dow trails bonds ahead of 10-year note auction

Wall Street

THIS WEEK's quarterly refunding vigil continued yesterday in US financial markets with stocks mostly lower throughout the session in line with a weaker bond market but then recovering towards the close as good results emerged for the 10-year auction, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 0.68 points lower at 2,732.88 on moderate volume of 152m shares.

On Tuesday, the Dow had traded in an extremely tight range for almost the entire session and then jumped in the closing minutes as good results were announced for the three-year auction. The Dow closed on Tuesday 11.94 points higher at 2,733.56.

The stock market is completely dominated this week by whether or not the quarterly refunding will go well and is tending to track the bond market very closely. The $10.5bn three-year auction was successful with apparently healthy participation by Japanese investors and a record $2.5bn in non-competitive bids, suggesting good demand from domestic retail investors.

This was followed yesterday by good results for the $10bn 10-year sale which saw total subscriptions of $30.04bn and an average yield of 8.88 per cent. Despite these results, the Treasury's benchmark long bond was still quoted $\frac{7}{16}$ points lower to yield 8.86 per cent.

There was lingering concern, even with two auctions successfully completed, about today's 30-year sale. The bond market had anyway been on the defensive at the opening because of an overnight drop in the dollar in Tokyo which suggested that overseas investors were not preparing themselves to bid at the refunding.

The late buying on Tuesday brought the Dow's winning streak to seven sesssions – an impressive performance. Even before the rally in the last minutes of the session, the blue chip index had held very steady throughout the day.

Yesterday's marginal loss broke this string of gaining sessions but not decisively and equity analysts said that, given the weakness in the bond market, it was a good performance.

Among featured issues yesterday was F.W. Woolworth which slipped $¾ to $60¾ after reporting a 5.5 per cent rise in its fiscal first quarter earnings compared with a year ago which disappointed analysts' expectations.

Stone Containers fell $¾ to $16½ on concern about pending union negotiations. The Canadian Paperworkers union has picked three Quebec mills which the company owns for contract talks.

Canada

A SURGE in gold stocks propelled Toronto share prices to a higher close in active trade. The Composite Index closed up 26.03 points to 3,464.00 with advances ahead of declines by 340 to 260. The market has gained about 130 points in the last six sessions. Volume rose to 26.1m shares from 19.2m.

Gold stocks led the advance with a 4.3 per cent index gain. Among the senior precious metal miners, American Barrick gained C$¼ toC$20¾.

FPI, up 10 cents C$4.90, managed to turn in a small first-quarter profit despite the poor outlook for the Atlantic fisheries industry. The company said it sees a steady performance for the rest of the year.

SOUTH AFRICA

JOHANNESBURG succumbed to profit-taking after its recent gains, and gold shares were undermined by a weaker bullion price. Vaal Reefs fell R10 to R340 and De Beers lost R1.75 to R99.25. The JSE all-share index fell 26 to 3,205.

EUROPE

Profits announcements keep interest alive

PROFITS NEWS kept investors interested yesterday, as most leading bourses finished lower. One exception was Zurich, which rose in active trading, *writes Our Markets Staff.*

AMSTERDAM was pulled lower by multinational stocks in the face of the weaker dollar, while insurance and banking stocks gained as investors sought a safe haven.

Fokker, the aerospace group, surprised the market with the news that it would double net profits in 1990 as well as resume the dividend after three years. The stock rose 60 cents to Fl 47.80.

Dealers reported continued heavy selling of Philips from the UK and West Germany in the wake of its bad first quarter results; it lost 90 cents to a year's low of Fl 31.90.

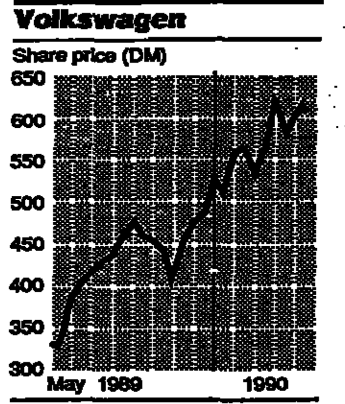
Among the international stocks, Unilever, due to report first quarter earnings on Friday, eased Fl 1 to Fl 142.60 and Royal Dutch eased Fl 1.90 to Fl 140.20. The CBS Tendency index fell 0.6 to 117.1.

FRANKFURT fell back after an early recovery. The equity market is torn between relief, with specific fears subsiding, and uncertainty about the immediate scope for improvement. The DAX index closed 2.70 lower at 1,896.58 after a rise to 1,914.14 early in the day; at midsession, the FAZ was 2.49 lower at 803.34.

Mr James Cornish, an equity strategist with County NatWest, says that an increase in West German interest rates could be delayed until September or October; he adds that the IG Metall wage and working hours settlement has been achieved with less disruption than once seemed likely.

County NatWest is looking at a 10 per cent earnings growth estimate over the next 12 months, and the prospect of an autumn share price revival.

Volkswagen



Volume rose from DM6.9bn to DM7.1bn, as Volkswagen eased back DM4.50 to DM601.50 after good results for 1989, and the first quarter of 1990. Commerzbank heard rumours of an imminent issue of covered warrants and climbed DM5.50 to DM297.50.

Big risers of the day included A & M, up DM38 to DM848, and DM148 higher this month following the bid for Co op, the retail group in which its BfG subsidiary is now a major shareholder. Linotype gained DM48 to DM998 on a successful showing at the Drupa fair in Düsseldorf.

PARIS ran out of steam as investors waited for the Treasury quarterly refunding programme in the US to come to an end. Anticipation of the censure vote on the French Government, due yesterday night, also led to cautious profit-taking. The CAC 40 index, which reached a day's high of 2,133.90, closed 16.14 down at 2,103.69 in turnover estimated at just less than FFr3bn.

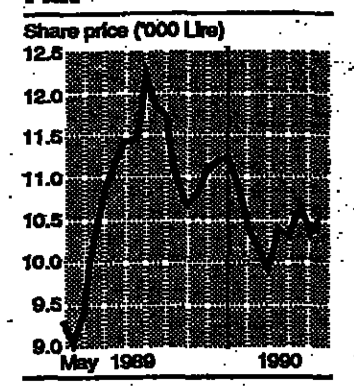
Only BNP, the bank, stood out among blue chips, with a rise of FFr21.40 to FFr487.50 in its certificates. The stock was still good value, in spite of its recent outperformance of the market, said a salesman. Havas, the media group, lost FFr44 to FFr651 on the rumours of its interest in Saatchi and Saatchi, while Générale des Eaux lost FFr110 to FFr2,620 on profit-taking.

MILAN opened weak after *Fiat's 1989 results,* which were revealed late on Tuesday, but was pulled off its lows by strong demand for banks.

Fiat's earnings were at the lower end of forecasts and the *increase in dividend* was less than expected. Investors were also disappointed that Fiat did not announce a much-rumoured link-up with another car manufacturer as well as by its plans to issue new shares to incorporate the holding company, Saes. Fiat ordinaries fell L139 to L10,340.

Among banks, Banco di Roma added L30 to L2,310 on rumours that it would soon conclude a share-swapping accord with Banco Hispano Americano of Spain. The Comit index fell 0.70 to 701.53.

Fiat



ZURICH extended last week's rally as the Crédit Suisse index rose 7.4 to 602.7. Foreign investors have been impressed by the stronger Swiss franc and the prospect of easier money market rates.

This continued to help the insurance sector, which rose 6.8 per cent last week.

Volume was said to be close to its year's high. Roche certificates rose SFr120 to SFr3,730 and topped the most-actives list on the chemical group's strong first quarter sales; Ciba-Geigy certificates rose SFr90 to SFr3,200, part of a re-rating process according to Mr Eric Dähler of UBS Phillips & Drew. He says that its profits split, revealing a 51 per cent contribution from pharmaceuticals, suggests a 10½ to 11 p/e against about 9¼ at present.

STOCKHOLM rose on gains by Ericsson, following its excellent first quarter results, and the forestry group, Stora, which said its recent West German acquisition, Feldmühle Nobel, would increase its profits by up to SKr800m annually within five years. Ericsson free B shares rose SKr40 to SKr1,015 and Stora free Bs gained SKr17 to SKr315. The Affärsvärlden General index added 13.6 to 1,185.3 in increased turnover of SKr311m.

BRUSSELS rose late in the session after quiet early trading. ACEC-Union Minière fell BFr20 to BFr4,650; its parent *company, Société Générale de* Belgique, said that it would float 7 to 9 per cent of the non-ferrous metals group at between BFr4,100 and BFr4,400 a share. SGB gained BFr45 to BFr3,345 on 28,000 shares.

ASIA PACIFIC

Nikkei falls as investors exercise caution

Tokyo

SHARE PRICES ended moderately lower as investors became cautious and took profits after the rise over the last five sessions, *writes Michiyo Nakamoto in Tokyo.*

The market took off on a strong note, with active buying lifting the Nikkei average over the 31,000 mark in morning trading. But concerns over political unrest in the Soviet Union put a stop to the buying, and share prices retreated

The Nikkei average went from a high of 31,110.76 to a low of 30,834.75 before closing down 24.97 at 30,945.61. But advancing issues outnumbered fallers by 572 to 409, with 139 issues unchanged. Turnover fell from 750m to 700m shares, the Topix index of all listed shares added 5.19 to 2,308.79. In London, the ISE/Nikkei 50 index rose 3.20 to 1,750.28.

The market had become wary as a five-day rise in the Nikkei triggered concern that it had gained much more than market conditions warranted. From a *technical standpoint,* there was reason for caution: the Nikkei had risen 5 per cent above its 25-day moving average, said Mr Masami Okuma at UBS Philips and Drew.

Buying interest focused on domestically-oriented stocks, especially those which had lagged behind the market, such as steel, chemicals and consumer-related issues. The Nikkei has recovered nearly a third of the loss from its high in January, and investors were seeking issues which had not recouped a similar amount.

High hopes for high-technology issues with strong fundamentals have not been realised so far in the stock market. Their results, due later this month, are generally expected to be in line with forecasts but some analysts warn that it is still not clear to what extent the severe labour shortage, higher interest rates and higher prices of materials might have affected performance. Fuji Photo Film dropped Y60 to Y4,110 while Victor, the audio company, declined Y60 to Y2,520.

Speculative issues returned to favour. When the market was falling, these issues suffered more than others as rumours spread of financial difficulty among speculative groups but such talk has since diminished. Wakachiku Construction rose Y220 to Y1,730 and Higo Bank, a regional bank, climbed Y60 to Y1,140.

Osaka remained buoyant and the OSE average gained 208.11 on volume of 68.6m shares, after 73m on Tuesday.

Roundup

INVESTMENT interest focused on New Zealand and Thailand yesterday, as leading regional markets had a quiet session. Singapore and Kuala Lumpur were closed for holidays.

NEW ZEALAND rose after Tuesday's profit-taking, with the Barclays index gaining 12.78 to 1,722.71 in active trading. Foreign interest helped volume remain healthy, with 17m shares traded, valued at NZ$28m, after Tuesday's 19m shares worth NZ$21m.

Goodman Fielder Wattie, the food processing group, gained 10 cents to NZ$1.95 with 1.3m shares changing hands. There was speculation that Coles Myer, the Australian retailer, would buy Elders IXL's 10 per cent stake in Goodman Fielder. Mr Pat Goodman, chairman of Goodman Fielder, yesterday denied rumours that he would buy the stake himself.

AUSTRALIA firmed in quiet trading, with the All Ordinaries index rising 0.9 to 1,477.8. Coles Myer eased 6 cents to A$7.54 after announcing a decline in third-quarter sales. Goodman Fielder Wattie gained 10 cents to A$1.48.

Volume picked up to 83m shares valued at A$200m from the previous day's 58m and A$131m. National Australia Bank lost 12 cents to A$6.20 with 5.9m shares exchanged.

THAILAND came back from its four-day weekend in good spirits, and share prices rose in busy trading, financial stocks in particular. The SET index rose 12.16 to 875.13.

HONG KONG was in cautious mood, although stocks finished above their day's lows. The Hang Seng index recovered from a loss of 25 points to end 11.31 lower at 2,942.27 in turnover of HK$1.07bn, down from Tuesday's HK$1.23bn.

Investors were nervously looking ahead to the beginning of next month; June 3 is the deadline for the US decision on whether to renew China's status as a favoured trading nation, while June 4 is the anniversary of the massacre in Tiananmen Square in Peking.

SEOUL eased after its five-session rally, as the composite index lost 3.18 to 793.36; volume was 12m shares worth 215bn won. The previous day's package of government measures, designed to support the market, had been discounted.

Attractions of new issues grow stronger in Nigeria

Vitality has not spilled over into the secondary market, however, as **Tony Hawkins** explains

BOOSTED BY an economic recovery programme which includes plans to privatise up to 100 companies, the Nigerian capital market is set to play an increasingly important role during the 1990s. Last year, N1.6bn ($208m) of new capital was raised in the market, of which N780m represented stock exchange flotations.

Figures supplied by the Nigerian Stock Exchange show that there were seven rights issues by leading companies such as SCOA, CFAO, Boots and Mobil, which raised N173m. Other private sector flotations, excluding privatisation issues, exceeded N400m.

With more rights issues in the pipeline and the Government planning to raise N1bn in privatisation offers, the new issue boom will continue, although competition for funds between the private sector and the Government's privatisation programme seems likely to become more acute, with privatisation likely to lose out.

The new issue market's popularity is the result of two developments – privatisation and the credit squeeze. Companies have been swift to restructure their balance sheets, exploiting the opportunities arising from the revaluation of assets resulting from the steep depreciation of the naira. Furthermore, with short-term bank borrowing costing more than 27 per cent, finance managers have piled into the new issue market where capital can be raised at half the apparent cost.

Unfortunately, vitality in the new issue market has not spilled over into the secondary market. The number of companies listed on the NSE has increased from 90 in 1980 to 111 at the end of 1989; and while, in domestic currency terms, equity market capitalisation more than quadrupled to N7.5bn over the period, market turnover was a mere N28m.

This is explained partly by the fact that more than 40 per cent of NSE equities are held by foreign multinational companies, which are not active in the market. Institutional shareholders hold 15 per cent and the Government a further 8 per cent, leaving roughly one-third in the hands of an estimated 1.4m individual investors. They, too, are reluctant to part with their equity, tending to buy and hold.

Share prices have not kept pace with depreciation of the naira. In dollar terms, equity market capitalisation has fallen by two-thirds since 1980

Share prices have more than doubled in the last three years, thanks to a combination of rapid inflation, high liquidity and a shortage of scrip. This week, the index of share prices (1984+100) stood at 350, with the index having risen 50 per cent in the past 15 months.

But share price inflation has not kept pace with naira depreciation. Expressed in dollar terms, equity market capitalisation has fallen from $3.1bn in 1980 to an estimated $1bn. The average dividend yield was 7.3 per cent in 1989, which is hardly attractive in an economy where inflation is unlikely to fall below 15 per cent.

This is particularly so at a time when corporate profit margins are being squeezed to the point where a significant reduction in dividends is on the cards. Critics complain that issue pricing is artificial in both the primary and secondary markets.

In early March, there was market controversy over the relative pricing of Paterson Zochonis and Lever Bros shares. Brokers resorted to *balance sheet and profit analysis* to explain what they saw as a serious discrepancy.

Because the NSE is a seller's market – which promotes new issue activity – secondary market prices often bear little relation to underlying market fundamentals. Even at a time of high interest rates and severe liquidity squeeze, share prices continue to move inexorably higher, partly because scrip is so hard to come by.

This may be slowed – or even reversed – over the next 18 months as new issue activity, including privatisation, absorbs a growing proportion of the investments naira. There will be downside pressure on prices, too, as profit margins are squeezed but, in spite of this, the bull market seems destined to continue at least until mid-1990.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 9 1990						TUESDAY MAY 8 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (61)	131.52	+0.2	116.17	115.25	−0.1	6.02	131.31	116.61	115.41	158.31	125.85	135.79
Austria (19)	259.88	+0.1	229.54	221.69	−1.0	1.20	259.73	230.65	223.87	285.63	193.15	123.64
Belgium (61)	150.70	+1.1	133.11	126.36	+0.4	4.61	149.00	132.32	125.85	160.02	132.11	133.01
Canada (120)	134.90	+0.6	119.16	113.90	+0.8	3.50	134.12	119.11	113.00	153.61	130.37	134.66
Denmark (34)	249.19	+0.6	220.10	211.91	−0.1	1.57	247.78	220.04	212.14	260.82	236.69	181.03
Finland (26)	132.19	+0.1	116.76	108.26	−0.6	2.53	132.04	117.25	108.89	152.29	129.99	150.66
France (125)	168.85	+0.2	149.14	146.14	−0.7	2.81	168.48	149.61	147.20	168.85	141.69	117.67
West Germany (93)	137.63	+0.9	121.57	117.17	−0.3	1.89	136.42	121.15	117.55	137.71	122.05	85.17
Hong Kong (46)	122.14	−0.2	107.89	122.16	−0.2	5.09	122.35	108.65	122.40	126.90	112.24	139.42
Ireland (17)	180.08	+1.4	159.06	155.05	+0.4	2.77	177.55	157.68	154.46	198.57	172.72	146.12
Italy (96)	103.35	+0.7	91.29	92.97	−0.2	2.55	102.59	91.11	93.17	103.73	91.85	80.24
Japan (454)	143.42	+1.0	126.68	141.83	+0.1	0.58	142.02	126.12	141.70	197.26	124.40	191.22
Malaysia (35)	218.23	+0.1	192.75	226.97	+0.0	2.37	218.10	193.68	226.97	246.32	204.15	182.29
Mexico (13)	434.21	+2.2	383.53	1340.19	+2.2	0.39	424.74	377.18	1310.96	434.21	324.53	180.74
Netherland (43)	139.86	+0.3	123.54	117.58	−0.8	4.79	139.39	123.79	118.59	145.66	130.43	118.13
New Zealand (17)	62.08	+0.5	54.84	57.28	+0.4	7.67	61.76	54.85	57.05	75.36	59.57	71.71
Norway (23)	232.91	+2.1	205.73	202.17	+1.3	1.54	228.18	202.63	199.53	245.90	202.34	184.66
Singapore (25)	191.82	+0.1	169.43	164.95	+0.0	1.83	191.57	170.12	164.96	199.38	179.70	157.08
South Africa (60)	186.59	−0.6	164.81	165.47	−1.0	3.57	187.73	166.72	167.15	251.39	173.80	135.27
Spain (42)	160.81	+1.3	142.04	125.24	+0.4	4.24	158.72	140.95	124.75	165.19	132.84	153.74
Sweden (35)	196.48	+2.8	173.55	174.67	+2.1	2.31	191.20	169.80	171.11	206.95	173.89	156.62
Switzerland (65)	97.00	+3.3	85.67	84.43	+1.3	2.46	93.87	83.36	83.38	99.12	86.75	72.98
United Kingdom (306)	147.03	−0.3	129.87	129.87	−0.8	5.09	147.40	130.90	130.90	164.31	139.87	146.82
USA (537)	138.49	+0.2	122.32	138.49	+0.2	3.50	138.21	122.74	138.21	145.40	130.61	124.63
Europe (985)	143.21	+0.5	126.50	123.46	−0.4	3.63	142.49	126.54	123.95	146.66	135.57	118.89
Nordic (118)	194.29	+1.7	171.61	162.44	+1.0	1.93	191.08	169.68	160.85	201.89	185.01	154.05
Pacific Basin (660)	142.17	+0.9	125.57	139.92	+0.1	0.91	140.86	125.09	139.81	192.75	124.63	186.72
Euro – Pacific (1645)	142.96	+0.8	126.28	133.74	−0.1	2.01	141.89	126.01	133.90	174.16	130.35	159.59
North America (657)	138.18	+0.2	122.05	136.87	+0.2	3.50	137.87	122.43	136.55	145.78	131.02	125.14
Europe Ex. UK (679)	138.76	+1.0	122.56	118.85	−0.2	2.78	137.45	122.06	119.05	138.76	124.81	101.54
Pacific Ex. Japan (206)	126.54	+0.1	111.77	114.89	−0.1	5.27	126.45	112.30	115.02	139.32	122.53	132.89
World Ex. US (1838)	143.28	+0.7	126.56	133.72	−0.1	2.07	142.24	126.31	133.84	173.77	131.30	158.49
World Ex. UK (2069)	139.87	+0.6	123.55	135.77	+0.1	2.30	138.99	123.43	135.64	162.00	130.80	145.16
World Ex. So. Af. (2315)	140.21	+0.6	123.85	134.95	+0.0	2.55	139.43	123.82	134.92	161.84	131.95	145.36
World Ex. Japan (1921)	140.38	+0.3	124.00	131.92	+0.0	3.61	139.93	124.27	131.97	145.52	134.62	123.30
The World Index (2375)	140.50	+0.6	124.10	135.16	+0.0	2.56	139.72	124.08	135.15	162.05	132.25	145.29

Singapore and Malaysian markets closed May 9.